

JPRS-EER-86-080

30 MAY 1986

East Europe Report

19980213 094

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ECONOMY

CZECHOSLOVAKIA

BUDGET DIRECTOR DISCUSSES 1986 FEDERAL BUDGET

Prague FINANCE A UVER in Czech No 1, 1986, pp 9-18

[Article by Eng Belo Bosak, candidate for doctor of science, director of the federal budget division of the Federal Ministry of Finance: "The 1986 Federal Budget; The Start of the Eighth 5-Year Plan"]

[Text]. The financial development strategy for 1986 is based on the need to further intensify economic development, and in particular to increase the rate of formation of material and financial resources. An increase in this rate will involve primarily increasing the valuation of raw materials and components, utilizing capital assets more effectively, and increasing the contributions made by R&D efforts. Such growth is a fundamental precondition for further progress in bringing our foreign economic relations back into balance, for the maintenance and further improvement of our standard of living, for the implementation of needed structural changes in our capital stock and production processes. It is, furthermore, a precondition for the implementation of extensive integrational projects which are important for the future development of our economy.

Increasing the rate financial resources formation and ongoing pressure to improve managerial efficiency are the critical conditions for achieving balance in our financial and budgetary relations.

Implementing the tasks of the final year of the Seventh 5-Year Plan contributed to the overall fulfillment of the objectives of economic and social policy as outlined for this period by the 16th CPCZ Congress, and at the same time created a favorable base for the start of the Eighth 5-Year Plan.

The basic tasks for 1985 included the achievement of an increased rate of material resource formation by more completely introducing efficiency enhancing measures, an increase in the efficiency of public production, and the more effective utilization of all developmental resources. On the whole it is projected that national income formation will increase by more than 10 percent over 1980, meaning that the target for the Seventh 5-Year Plan will have been overfulfilled by one percentage point.

Despite serious difficulties caused by unfavorable conditions at the start of the year, production targets in the principal national economic sectors

were fulfilled. Increased material resource formation made it possible to achieve substantial progress in bringing foreign economic relationship into balance, to solve several problems in the investment area and to facilitate an increase in personal and public consumption.

The primary developmental problem in 1985 was, however, the failure to fulfill tasks in the area of effectiveness. The difficulty of these tasks became even more evident with the production shortfalls at the beginning of the year, the consequences of which for the fulfillment levels of qualitative indicators were never fully overcome. Production costs declined more slowly than had been planned, as did wages as a percentage of total costs, nor did the increase in labor productivity fully meet either our needs or its own potential.

There are significant differences in task fulfillment between individual firms, economic production units [VHJ] and sectors; it is therefore necessary to relate the problem of increased efficiency to the differing levels of preparedness of organizations for the more rigorous economic conditions of the current state in development, and to judge from this perspective not only the overall performance of the economy, but also the contributions of individual organizations and organizational units. Production has not increased fast enough of sophisticated technico-economic products. New production facilities are not performing up to their designed parameters. We have not been successful on a number of occasions in receiving the desired price for our products on either the domestic or the world market. We need to use production assets more efficiently and find practical applications for more findings of R+D programs.

The above facts indicate that so far, despite isolated improvements, there has been no fundamental change in the utilization efficiency of existing capacity in the production base and that only the first steps have been taken on the path to intensifying the economy. Speeding up this process will depend to a large extent on how rapidly we succeed in changing the attitudes and behavior of the enterprise sphere and all levels of management. This is an essential first step in fulfilling new tasks under much more complex economic conditions. The final performance figures for the Seventh 5-Year Plan, to which 1985 made a strong contribution, contain much potential. The active exploitation of these results could lead to a change in the quality of the capital replacement process, to a speeding up and intensification of economic development. This is also a precondition, moreover, for an increase in the standard of living and an improvement in the social certainties of the population.

The failure to fulfill planned targets for increased efficiency was also reflected in financial and budgetary management. The fulfillment of the plan for profits, and therefore also for transfers to the state budget, was influenced unfavorably by the failure to meet planned objectives for the reduction of material, wage and financing costs. The declining efficiency of foreign trade increased the load on the federal budget through the negative balance in financial and economic instruments for foreign trade [FENZO], which worsened over time. Plan fulfillment for sales revenues improved somewhat, although this was largely due to the adjustment in retail

prices that took place in 1984. Shortcomings continued as well in the area of capital investment and the use of accumulated reserves and inventories, where we were not able to implement fully plan objectives in the industrial and construction sectors, despite the fact that several positive trends were evident.

In terms of budgetary expenditures, fewer resources were expended for the economic sphere (and mainly these noninvestment subsidies). The budgetary sphere spent less in the investment and in certain noninvestment categories, while expenditures on behalf of the general population increased. Increased social security expenditures stemmed not only from the usual influences but also from new social measures implemented as of 1 Jan 1985 in the area of retirement security, health insurance, and public assistance to families with children. Preliminary figures indicate that budgetary management in 1985 concluded the year in equilibrium in spite of some deviations from the planned structure of budgetary revenues and expenditures.

In 1986, financial policy will be focused on the following areas, in line with its basic objectives for 1986-1990:

- implementing a fundamental turnaround in the direction of the intensification of the economy, mainly by creating economic pressure and incentives for improving efficiency, by lending support to the material objectives of the plan and by making structural changes, including those actions dictated by the results of stabilization programs;

- improving domestic and foreign economic equilibrium not only as a whole, paying special attention to structural, financial, and currency equilibrium, and to the balancing of the federal budget;

- providing for the further growth and increase in quality of the standard of living of the general public and improving its social certainties as a top priority of economic and social development.

In the area of public production financial instruments designed to facilitate the effective and rapid formation of financial resources and their effective utilization will continue to play an active role, with the objective of increasing their contribution to the financing of public needs and making the economic sphere adopt a more rigorous attitude to financial resources.

The financial management system for VHI and enterprises for the Eighth 5-year Plan, which is based on the Main Objectives for the Further Elaboration of the Set of Measures for Improving the Planned Management System, emphasizes the achievement of actual, final management results (by combining the performance of the domestic economy as well as foreign trade), increasing the pressure to uncover underutilized capacities in VHI and enterprises, and improving the khozraschot character of the entire financial management system.

Financial plans must be based on rigorous tasks for resource formation that are in turn based on qualitative indicators. In particular, accelerated profit formation should be achieved primarily by accelerating the decline in

total costs as a percentage of output. The main role in this reduction must be played by a reduction in material costs, chiefly through significant relative savings of raw materials, components, fuel and energy and the accelerated implementation of R&D findings. In addition to this there is the principle of covering investment needs for expenditures on R&D, increased inventories and the like mainly from internal resources of the V&E or enterprises.

In addition to combining the profits from domestic operations with those from foreign trade, other ways are under discussion for increasing the incentives available to the production sphere and foreign trade organizations to increase the efficiency of foreign economic relations and to increase the level of evaluation of our products on foreign markets.

In conjunction with ongoing problems in the prices that we obtain for our products on the domestic market it is necessary to increase the active role of the sales tax in the forming and changing of prices through the gradual development of a direct link between the wholesale and retail prices for all types and groups of products, where the proper conditions exist for this to happen. Mainly it is necessary to establish for goods of a nonessential character that, when forming the prices for new and innovative products, as well as for pricing changes, there never occur a negative tax, reverse pricing relationship, or too low a tax rate (based on the ratio of wholesale to retail prices), which would lead to a reduction in sales tax revenues that is not supported by the evidence.

In the financing of R&D we must make better use of the conditions that have been set up since 1985 to facilitate more efficient and flexible strategies. More emphasis must be placed on financing R&D primarily in the economic sphere using funds from the R&D fund, the balances of which are transferrable from year to year. These accounts can be added to from any profits over and above established profit targets. More use must also be made of modified forms of associated financial resources, as well as the management and financial systems now in place in research production associations and units.

Federal budget resources designated for the economic sphere as investment and noninvestment subsidies will be directed towards the financing of publically significant needs; they will be strictly and exclusively funds to be used for special purposes.

The financial base of organizations managed according to khozraschot principles will be strengthened by expanding and putting greater emphasis on the financing of capital asset replacement mainly from internal resources. The financing of investments comes from a single investment account, with the resources in this fund formed based on long term standards (with the exception of special conditions in certain sectors). For the purposes of actively influencing capital investment in line with the plan, the industrial and construction sectors have arranged for a unified transfer from depreciation (in the amount of 40 percent) to the federal budget to support structural changes in individual sectors for the economy. These measures are generating

pressure on the economic activities of organizations in conjunction with the system of standard incentives.

Measures that have been adopted for national committees above all strengthen the actual planned revenues and increase the economic self-sufficiency of the national committee. This is closely related to their coordinational and organizational functions and to their systems of economic incentives and responsibilities for the comprehensive development of territorial units. National committee budgets will now receive the payroll taxes from all the organizations managed by the national committee or by cooperative unions, as well as from state economic organizations in agriculture. They will also receive sales tax revenues and social security contributions from state economic organizations in agriculture.

In conjunction with the increased importance of Project Z and the larger degree of integration of the resources of contingency and development funds in the financing of these projects, national committee budgets will now include planned noninvestment expenditures of the budget sphere, above all those for public services and programs for the general public. Measures have been adopted in housing policy that stimulate cooperative apartment construction and the construction of single family homes. modernization, reconstruction and the overall maintenance of the existing housing stock, etc.

Efforts are continuing to improve the managerial efficiency of the national economy on the basis of recent experiences from the implemented efficiency program of the Seventh 5-Year Plan.

The objectives of financial and budget policy are reflected in the following plan tasks for 1986;

1) Total profits for the CSSR in 1986 will be Kcs 13.8 billion higher than the expected level for 1985, a 10 percent increase. The increased profits from the domestic economy are to come from reductions in total costs (85 percent of the increase in profits) and from increased output (19.5 percent of the increase). Extraordinary items will negate 4.5 percent of the increase due to output. Total costs as a percentage of output are projected to decline by 1 percent (material and other costs (exclusive of depreciation) will decline by 1.2 percent, wage costs by 1 percent and financing costs by 2,4 percent; depreciation charges, however, are to increase by 2,9 percent).

The relationship of the economic sphere to the state budget reflects the final outcome for society of the planned development of the economy. This is indicated by the balance between transfers to and subsidies from the federal budget. The planned growth of this positive balance from the domestic economy by Kcs 6.94 billion represents an increase of 6.4 percent compared with the projected performance for 1985 and sets the stage for an increase in planned expenditures to develop programs in the noninvestment area, including the development of public consumption financed from the federal budget. Part of this increased positive balance is, however, offset by worsened relationships in the FENZO area as a result of ongoing low efficiency of foreign trade.

Table 1 provides an overview of the transfer and subsidy accounts and how each contributes to the final balance.

These data indicate that we are not yet succeeding in improving the position of our economy in relation to the rest of the world and that it is essential in this area to find more effective ways to improve the efficiency of foreign trade in all areas of exporting and importing. The basic condition for achieving better performance in the exporting of our products is to improve the technical sophistication of these products and to do so at a competitive cost structure. To achieve these goals we will have to focus the attention of the technical and economic divisions of the organizations and VHJ producing for export on these objectives.

Table 1 (in billions of korunas)

Item	1985 Expected	1986 Proposed	1986- 1985	Index 1986/85	1986 Adjusted
Total transfers to federal budget;	162.15	174.67	12.52	107.7	176.73
Composed of:					
Transfer from domestic economy	148.22	159.25	11.03	107.4	161.33
Composed of:					
Economic performance and depreciation	111.75	121.78	10.03	109.0	123.84
Social security contributions	32.80	33.26	0.46	101.4	33.12
Revenues, costs, funds	3.67	4.21	0.54	114.7	4.37
Economic instruments of foreign trade, net balance (transfers)	13.93	15.42	1.49	110.7	15.40
Total subsidies	59.02	65.63	6.61	111.2	68.29
Composed of:					
Subsidies to domestic economy	39.94	44.02	4.08	110.2	43.94
Composed of: investment	10.42	13.20	2.78	126.7	13.07
noninvestment	29.52	30.82	1.30	104.4	30.87
Economic instruments of foreign trade, net balance (subsidies)	19.08	21.61	2.53	113.2	24.35
Net balance: transfers and subsidies	103.14	109.03	5.89	105.7	108.44
Composed of: domestic economy	108.29	115.22	6.93	106.4	117.39
Economic instruments of foreign trade	-5.15	-6.19	-1.04	-120.2	-8.95

Tasks related to efficiency enhancement require that organizations take a responsible approach to the performance of their specified tasks, that they search out in the form of a counterplan management potential that they have not used to date. That the conditions exist for this in specific instances is clear based on the examples of the improvers, innovators and employee collectives at many organizations. It is also unfortunately clear from the inspection reports and results of controls of financial organizations and branches of the State Bank.

The fundamental factor in increasing public resources is to reduce costs. It is therefore essential to pay great attention to the further development of production intensification. R&D programs, socialist competitions, the socialist work brigade movement, mass political activity and economic propaganda must all be focused on cost cutting. The achievement of positive results in this area, however, will be impossible without conscientious managerial work, proper organization of production and the political assurance of objectives. For this reason continuing to improve production efficiency and work quality remains the main task of managerial activity during the Eighth 5-Year Plan.

Selected profitability indicators shown in Table 2 indicate the rigorousness of the 1986 financial plan.

The differing growth rates and strictness of the individual profitability indicators is influenced by planned objectives in developing the base of each of these indicators.

Table 2.

Indicator	1986 proposes (%)	index 1986/85
Profitability measured in terms of:		
Total costs	12.66	108.7
Adjusted value added	31.42	105.0
Capital stock	6.28	105.6

2) Inventory turnover period should improve over 1985 performance by 2,1 days in industry and construction, and final inventories in these sectors should decline by Kcs 0.1 billion.

Meeting planned targets in nonindustrial sectors will require in 1986 an increase in inventories of Kcs 4.3 billion. This primarily involves the development of agricultural production, adding to inventories of procurement organizations (by about Kcs 1.9 billion), and adding to and improving the structure of inventories in domestic retail trade (by Kcs 1.5 billion).

Taking into account the reduction of inventories in industry and construction of Kcs 0.1 billion there will be a total increase in the inventories of the economic organizations of the CSSR, including national committees, of Kcs 4.2 billion.

Providing for this demanding development in the area of working capital, especially inventories, is still fraught with many problems. These involve primarily difficulties in obtaining these new, larger inventories, improvements in the structure of inventories mainly in the sense of improving delivery availability to retail and supply organizations, and the systematic weeding out of excess and unnecessary inventories.

3) Overall financial requirements for capital investment in economic organizations will increase by 3.6 percent in comparison with 1985, reaching

the amount of Kcs 134.9 billion. The structure of this financing will shift in the direction of increased use of internal organization resources and budgetary subsidies, while the role of investment loans will decline.

The planned volume of investment for 1986 will assure progress in the restructuring of the national economy in line with the resolutions of the 16th CPCZ Congress. We are devoting special attention to the development of the fuel and power complex with the objective of increasing the number of power generation facilities. In industry the priorities are to develop the chemical, electrotechnical and health care sectors. Increased investments are also planned in transportation and communications as well as in the cultural area and in health care.

In comparison with 1985 financial requirements are Kcs 4.69 billion higher, with actual investment volume accounting for Kcs 2.92 billion, repayment of investment loans Kcs 1.68 billion, and other uses accounting for Kcs 0.9 billion.

The planned financing of these investment requirements for 1986 creates the conditions so that central agencies can allocate planned investment requirements to financial norms after the creation of the corresponding reserves, which are fully covered at the sectoral level.

4) Noninvestment expenditures on R&D will amount to Kcs 19.4 billion. The federal budget will pick up Kcs 8.2 billion of these expenditures (an increase of 4.6 percent over 1985); the economic sphere will pick up 4.9 percent more of these resources than in 1985.

The internal resources of the economic sphere (the R&D account) should account for 57.5 percent of the financing of noninvestment R&D requirements. These resources are allocated in the financial plans of economic organizations and are earmarked to defray expenditures on R&D plan tasks and percentage shares of the financing of federal R&D tasks as well.

For the foreseeable future it is being assumed that R&D will become, even more so than to date, the basic factor in economic growth; it will, however, be so important as to become an economic necessity at all levels of management. It also must be kept in mind that it will not be possible to increase substantially the resources allocated to it, either material or financial. If, then, an acceptable level of R&D effectiveness is to be achieved, it will be essential to better utilize existing resources.

5) Regarding an increase in the standard of living of the general public, noninvestment expenditures on social services and programs for the general public have been established for 1986 at Kcs 165.2 billion, which is 3.2 percent more than in 1985. On a per capita basis, this amounts to an expenditure of Kcs 10,604, which is about Kcs 319 more than in 1985. Necessary investment outlays amount to Kcs 17.2 billion, and increase of 9.1 percent.

6) Expenditures on social security represent more than half of all the federal budget expenditures on public consumption. These outlays are

continually increasing both because of demographic developments and increased wages and because of new measures implemented in this area in recent years. Increased expenditures from the federal budget for modifications in retirement pensions, health insurance and in public assistance to families with children amounted to almost Kcs 8 billion between 1982 and 1985.

For 1986 planned noninvestment expenditures on social security from the republic budgets and national committee budgets total Kcs 90.01 billion, which is Kcs 2.04 billion more than the expected level for 1985.

7) Noninvestment expenditures in the education sector are entered in the 1986 budget in the amount of Kcs 27.07 billion (an increase of 4.3 percent) and include, in addition to the usual annual requirements (wage resources and programs based on federal budget data) a number of other tasks and measures. The federal budget has allocated increased resources for the repair, maintenance and modernization of school facilities, for schools in nature, for the upgrading of dormitories and cafeterias, and for study aids. The budget also includes expenditures on a new program, school electronization, that includes computers for colleges and audiovisual centers.

8) The planned volume of noninvestment expenditures by budget-supported and self-supported organizations of Kcs 27.36 billion (an increase of 7 percent) in the field of health care for 1986 will provide the necessary resources to perform the tasks assigned in the federal plan. It provides the needed wage resources, includes increased expenditures for medicines and special health care equipment (a increase of 8 percent) as well as resources for new tasks and a further increase in the quality of health care.

9) An increase in noninvestment expenditure in 1986 in the area of culture of 9.2 percent in comparison with the projected 1985 figures (an absolute increase of Kcs 4.84 billion) will make it possible both to operate cultural and public facilities and to develop special interest cultural activities, as well as increased maintenance and repair work on places of historical interest and cultural facilities. The budget for the central cultural agencies also provides for the needs of the artists unions mandated by the development of cultural relations with foreign countries on the basis of intercountry agreements valid for the Eighth 5-Year Plan.

10) Total budgeted expenditures on housing construction and housing management will be Kcs 27.3 billion, an increase of 3.6 percent in comparison with 1985.

Budgeted, noninvestment subsidies directly affecting the standard of living of the general public will amount to Kcs 11.1 billion; the majority of these expenditures will be to offset the operating losses of housing management and public mass transit enterprises. Subsidies are also applicable to the price of heat and in certain instances to the procurement of food (especially for slaughter cattle).

The implementation of the above objectives of financial and budgetary policy in 1986 along with the fulfillment of federal plan tasks and currency plan will make it possible to move ahead in improving national economic efficiency, as a condition of future economic development and increased personal and public consumption.

The state budgets for 1986 project increased revenues and expenditures of the budget system of Kcs 15.3 billion (a 4.5 percent increase). This increase reflects both an increasing pace of economic development as well as tasks to assure the increased efficiency of the production sphere and the economical use of the resources that are generated.

Table 3 provides an overview of the state budgets and national committee budgets.

Table 3

Indicator	CSSR		Federation		CSR (including national committee budget)		SSR (including national committee budget; billion Kcs;	
	billion Kcs;	index 86/85	billion Kcs;	index 86/85	billion Kcs;	index 86/85	billion Kcs;	index 86/85
Total revenues of state and national committee budgets	364,06	104,5	201,66	104,7	192,35	104,1	101,91	105,02
Composed of:								
actual state budget revenues (excluding subsidies and subventions)	304,80	104,8	201,66	104,7	74,92	104,9	28,22	105,4
National committee budget revenues (excluding subsidies and subventions)	59,26	101,9	x	x	41,57	101,8	17,69	102,3
Subsidies from federal budget	x	x	x	x	75,86	104,1	56,00	105,8
Total expenditures of state and national committee budgets	364,06	104,5	69,80	104,4	192,35	104,1	101,91	105,2
Composed of:								
actual state budget expenditures	239,10	104,3	69,80	104,4	106,22	104,5	63,08	103,9
Subsidies to republic budgets	x	x	131,86	104,9	x	x	x	x
National committee budget expenditure	124,96	104,9	x	x	86,13	103,7	38,83	107,5
Subsidies and subventions to national committee budgets	(65,69)	106,4	x	x	(44,56)	104,7	(21,13)	110,3

The budget of the Czechoslovak federation accounts for 66.2 percent of total state budget revenues; however, it accounts for only 29.2 percent of total state budget expenditures. The other resources of the budget of the Czechoslovak federation flow in the form of special purpose and general subsidies to the republic budgets to cover their planned requirements, including the needs of the national committee budgets.

These subsidies as a percentage of republic budget expenditures, including subsidies to national committee budgets, amounted to 56.1 percent in 1986, which reflects the planned objectives for their own revenues and expenditures and is in line with the state plan.

Subsidies to the republic budgets are planned in the form of general and special purpose subsidies. Special purpose subsidies were 47 percent of the total in 1986. Most of these subsidies are earmarked as price subsidies (for instance subsidies to procurement prices in the sector managed by the Ministry of Agriculture and Food, differential payments in agriculture, bonus for marketable produce), as subsidies for selected investment projects that benefit the entire federation (such as subventions for comprehensive housing construction or for the system of water work on the Danube), as subsidies for economic instruments in foreign trade, etc. General subsidies, which account for 53 percent of all subsidies, usually apply to public consumption items that are covered by the republic budgets.

In line with the resolutions of the Sixth CPCZ Central Committee Plenum and based on the improvement of financial, economic and budgetary instruments, efforts of national committee are to be directed to the strengthening and further development of the positive elements in their economic development. National committee budgets for 1986 reflect the necessity of implementing these objectives. Table 4 (see next page) presents their basic outlines.

Planned revenues and expenditures of national committee budgets for 1986 assure that national committees and the organizations they manage can fulfill the tasks before them in all areas of their activity, including satisfying the needs of the general public, making election preparations, creating new election programs, etc.

Table 4. (in billions of korunas)

Indicator	1986 proposed	1986 adjusted	difference 1986-1985	index 1986/85
Total actual national committee budget revenues	38.33	52.70	1.01	102.7
Composed of: transfers and taxes from economic organizations	11.69	11.68	0.44	103.9
other taxes and payments	14.01	27.83	0.26	101.9
Special purpose subventions	33.69	33.48	1.04	103.2
General purpose subsidies	45.63	32.21	3.75	109.0
Other resources	2.49	6.57	-0.23	99.5
Total revenues	120.14	124.96	5.57	104.9
Total subsidies to economic organizations	14.38	14.22	-0.13	99.1
Expenditures on investment by budget-supported and self-supported organizations, total (excluding Project Z)	24.45	24.24	2.06	109.2
Noninvestment expenditures for budget supported and self-supported organizations total	81.31	82.27	3.64	104.7
Composed of: social services and programs for general public	67.19	68.13	2.33	103.6
Expenditures on Project Z	-	4.23	-	-
Total expenditures	120.14	124.96	5.57	104.9

All the above numbers do not reflect the incorporation of the adjustments in wholesale prices that took effect on 1 Jan 1986, nor do they reflect approved modifications in the planned management system in agriculture. These facts, however, have no impact on the growth rates of individual indicators nor do they affect the equilibrium of the overall budgetary system. The laws approved by the appropriate legal agencies that are applicable to individual state budgets in December 1985 are reflected here, however.

It will be possible to fulfill the objectives and tasks contained in the state budgets and national committee budgets for 1986 only through close cooperation with all other managerial entities, and above all by exerting consistent pressure in the direction of further increases in efficiency, improving managerial expertise in the production and nonproduction spheres, achieving financial and budgetary equilibrium and achieving equilibrium in foreign economic relations.

Financial agencies and administrations must direct their efficiency enhancing efforts at the following tasks:

--material cost containment as a basis for fulfilling the demanding targets for cost reduction and profit formation, with an orientation towards implementing structural changes in production that maximize savings of fuel, power, metals, raw materials and that speed up innovational processes;

--exploiting potential for the more efficient and flexible financing of R&D, and exerting pressure to accelerate the application of R&D findings in line with the resolutions of the Eighth CPCZ Central Committee Plenum;

--fostering the deeper participation of our economy in the international socialist integration by developing specialization and production cooperation, direct links between organizations, and the development of R&D and economic cooperation with the USSR;

--providing for the consistent utilization of financial and economic instruments of foreign trade, improving the efficiency of foreign trade and the export competitiveness of our products;

--using noninvestment subsidies more effectively to support the intensification and stabilization of agricultural production and the food industry, to support the acceleration of R&D in the field of electronics, robots, manipulators and other efficiency enhancing measures;

--improving the mix and quality of the products designated for our domestic market, with the objective of increasing the value of goods deliveries for consumer goods inventories and therefore sales tax revenues, and to improve the relationship between wholesale and retail prices;

--linking capital investment by economic organizations to financial resources generated internally and the allocation of these resources in accordance with efficiency criteria;

--striving to make the maximum use of accumulated inventories, to improve their structure in the direction of an increased percentage of saleable goods;

--utilizing the existing possibilities within national committee for strengthening responsibility for the development of designated areas, for strengthening their organizational and coordinating functions, for implementing adopted measures for the merging of resources and programs and the further development of Project Z, for increasing the efficiency and profitability of specific sectors, and utilizing flexible, auxiliary forms for the development of production and services;

--consistently assuring an equilibrium between revenues and expenditures of the budget system as a whole as well as in its individual components through active measures to assure the collection of planned budgetary revenues and strict controls on expenditures.

To fulfill the demanding tasks of 1986, the first year of the Eighth 5-Year Plan, it is essential to use worker initiative as a fundamental factor in

the intensification of our economy, and to focus this initiative in line with the resolutions of the 15th and 16th CPCZ Central Committee Plenums, namely on improving the qualitative aspects of development. One essential requirement is an increase in the sophistication of all managerial and organizational activities, of ideological-motivational work, an overall improvement in discipline, order, and an increase in expectations for quality work in all spheres.

9276/12951

CSO: 2400/240

ECONOMY

CZECHOSLOVAKIA

EHRENBERGER SATISFIED WITH ENERGY SECTOR'S PERFORMANCE

AU151117 Prague TRIBUNA in Czech No 12 of 26 Mar 86 pp 1, 3

[Interview with Vlastimil Ehrenberger, CSSR minister of Fuels and Power, by Vlastimil Svoboda: "Power Engineering and Further Developments"--place and date not given]

[Excerpts] [Svoboda] Comrade Minister, how did the sector of fuels and power conclude the Seventh 5-Year Plan?

[Ehrenberger] All branches fulfilled their production tasks. The coal industry extracted almost 631 million metric tons of coal and lignite and exceeded the plan by 1 percent. The ever-increasing importation of natural gas from the Soviet Union and the utilization of our own production-extraction capacities made smooth deliveries of heating gas possible. Our own resources for city gas supplied 15.5 billion cubic meters and exceeded the plan by 0.6 percent. We extracted almost 3.5 billion cubic meters of natural gas, and we exceeded the plan for extraction of crude oil by 4.4 percent. The power engineering sector was working in conditions of a considerably strained performance balance sheet. New nuclear capacities were lagging, and the low river levels were unfavorable for the operation of hydroelectric power plants. Despite that, public utilities exceeded the plan by 1.3 percent and delivered 331.5 billion kilowatt hours into the grid. The intensification of production in steam-operated power plants exclusively contributed to this.

[Svoboda] The capital construction, in particular, influences the present and the future of the [power engineering] sector. Could you, Comrade Minister, characterize its results and development?

[Ehrenberger] In the Seventh 5-Year Plan we invested more than Kcs95 billion. We acquired new extraction capacities, whose annual production is 34 million metric tons of coal. A total of 56 compressors were put into operation on the international gas pipelines, their annual transportation capacity reached 53 billion cubic meter of natural gas, and after finishing the fourth section, the line will be about 4,000 km long. The capacities of underground natural gas reservoirs were increased, and new propane-butane gas filling facilities were built. The brown coal-burning power plant, the Prunerov II, went into operation, as well as the pumped storage

hydroelectric power plant on Cierny Vah and a hydroelectric power plant in Kralova. Centralized heating plants were built in Trmice, Plzen, Karlovy Vary, Kosice, and in Zilina.

Nuclear power engineering plays a decisive role in capital construction. About Kcs 24 billion were spent on it in the past quinquennium. Three units, with 440 MW capacity each, went into operation in Jaslovske Bohunice and Dukovany. In the next 5 years, 5 such blocks will be finished with an estimated cost of almost Kcs 40 billion for nuclear power engineering. More than Kcs 8 billion will be spent for centralized heat supply and conventional power engineering the hydroelectric project at Gabcikovo on the Danube river will be a crucial investment. Kcs 6 billion for the expansion of the interstate gas pipeline is being projected. In the coal industry, one of the biggest investments will be the construction of new Frenstat and Slany mines and a coking plant in the Ostrava-Karvina basin. We are aware of the exceptionally exacting nature of capital investment, for which the preliminary draft of the Eighth 5-Year Plan earmarked almost Kcs 115 billion. When choosing and deciding on new projects, we used as criterion, above all, their contribution to the acceleration of the process of the intensification of national economy. Our main task is to utilize the expended resources as thriftily as possible.

[Svoboda] You spoke about nuclear power engineering. Are we succeeding in accelerating its development and making it more effective?

[Ehrenberger] According to the original assumptions of the Seventh 5-Year Plan, six or seven units with 440 MGW reactors were to be in operation by the end of last year. The shortcomings in construction resulted in only 5 of them being built. The causes were analyzed in detail and summarized in the resolution of the Presidium of the CSSR Government. On the basis of this analysis and with the cooperation of all participants, the year before last we were successful for the first time in complying with the newly-established deadlines. And last year, the successful test run of the first of the Dukovany nuclear power plant unit began, and conditions were created for connecting the second unit in Jaslovske Bohunice to the power system 2 weeks ahead of schedule. Not so long ago operation of the second Dukovany block went critical. Construction enterprises had decided to shorten the annual deadlines between turning over the third and the fourth units by a total of 7 months. Thus we have succeeded in accelerating the nuclear power development. The next step in making the construction and operations more effective is to change to power plants with 1,000 MW units as will be the case in Temelin.

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CSO: 2400/268

ECONOMY

CZECHOSLOVAKIA

FINANCE MINISTER ON CSSR FOREIGN DEBT

AU141121 Prague PRACE in Czech 26 Mar 86 p 7

[Interview with CSSR Minister of Finance Jaromir Zak, by PRACE staff journalist Moroslav Pavel in Prague on 25 March: "Finances For Intensification"]

[Excerpts] [Pavel] What is Czechoslovakia's current financial situation like?

[Zak] All information, all figures, and the balance sheet show that it is good. As regards the creation of financial resources, the Seventh 5-Year Plan, including the final year, ended favorably. This made it possible to ensure a balanced state budget, contribute to the acceleration of economic development, strengthen our citizens, social security, markedly reduce indebtedness in freely convertible currencies vis-a-vis foreign countries.

[Pavel] You spoke about paying off the loans we have taken abroad. What is the present state of our obligations abroad?

[Zak] The situation with respect to foreign currencies is balanced. That means that moneys due to us from abroad and our debts abroad are roughly equal. It is understandable that one cannot ignore the geographical distribution and timing of our obligations and the moneys owed to us, which do not always permit obligations and moneys owed to be in complete balance. It is, therefore, a permanent task of our socialist state's economic policy to ensure the healthy development of our balance of payments with the non-socialist states.

[Pavel] Does that mean that we are not going to ask for any loans?

[Zak] That cannot be said. The positive results achieved in the development of the economy in recent years, the higher economic potential of our state--all that creates wider scope for us to grant credits abroad, as well as for us possibly to draw on external sources. Provided of course, that this benefits our economy and society. After all, one cannot imagine today's world economy without developed credit relations.

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CSO: 2400/268

30 May 1986

ECONOMY

CZECHOSLOVAKIA

BRIEFS

USSR MINISTERS ARRIVE--Prague (CTK)--Yuriy Konyshev, first deputy vice-chairman of the USSR Council of Ministers, arrived yesterday [13 April] in Prague for a working visit. He is accompanied by Vladimir Kliuyev, USSR minister of light industry, and by Lev Vasilyev, USSR minister of engineering for the light and food industries and household appliance manufacture. At Ruzyne Airport they were welcomed by Pavol Bahyl, CSSR minister of general engineering and other personalities. Viktor Lomakin USSR ambassador to the CSSR also attended the welcoming ceremony. During their working visit, the guests will discuss issues of expanding mutual cooperation in areas of light and food industries. [Text] [Bratislava PRAVDA in Slovak 14 Apr 86 p 2 AU] /9738

SCIENTIFIC-TECHNOLOGICAL AGREEMENT WITH U.S.--Developing relations--After several years of negotiations, a cultural and scientific-technological agreement between the CSSR and the United States was signed in Prague yesterday [15 April]. The agreement calls for the development of cooperation between the two countries in the sphere of cultural, educational, scientific-technological, and health-care relations. [CTK report in the "International Relations" column] [Text] [Bratislava PRAVDA in Slovak 16 Apr 86 p 8 AU] /9738

USSR, ECONOMIC ISSUES--Prague (CTK)--CSSR Premier Lubomir Strougal received at the Prague Hrzane Palace on Wednesday [16 April] Yuriy Maslyukov, deputy chairman of the USSR Council of Ministers, who is paying a visit to the CSSR. In a talk, the premier stressed the importance of strengthening further the CSSR-USSR economic and scientific-technological cooperation for the realization of the Czechoslovak economy's demanding plans in the 1986-90 period. In this connection, the necessity was expressed for a close cooperation in the fulfillment of the Comprehensive Program of Scientific and Technological Progress of the CEMA Member-States up to the Year 2000 in the areas of electrical engineering, electronics, and computer technology, which will increasingly influence the effectiveness of technology and the growth of labor productivity in the decisive branches of the national economy. [Excerpt] [Prague RUDE PRAVO in Czech 17 Apr 86 p 1 AU] /9738

CSO: 2400/268

ECONOMY

GERMAN DEMOCRATIC REPUBLIC

RETAIL TRADE IN INDUSTRIAL CONSUMER GOODS EXAMINED

Consumer Demands Increasingly Met

Leipzig LEIPZIGER VOLKSZEITUNG in German 27 Mar 86 p 6

[Interview with Dr Lothar Poppe, Deputy Chairman of the Council of Leipzig Bezirk and Chairman of the Bezirk Planning Commission and Prof Dr Hans-Joachim Lotze, Leipzig School of Commerce, by Dr Maxi Wartelsteiner]

[Box, p.6] We wish to use this forum to discuss problems relating to the economic strategy of our party with high-level economic functionaries and leading economic scientists. Up to now, we have brought together partners who represented both theoretical and practical viewpoints--e.g. with regard to questions concerning the economics of basic and other materials and the strength of the combines.

Today we present Dr. Poppe and Prof. Lotze in a discussion concerning high-quality consumer goods, the efficient production of which is a basic component in the economic and social strategy of our party.

[Text] [Question] Erich Honecker recently said at the Berlin conference of delegates of the SED that "when the enterprises turn out ever more modern products, the citizens justifiably expect that they will also encounter this scientific-technological progress in the shops, as well." If one wishes to follow the dynamics of this demand, this means that consumer goods "must be constantly upgraded and improved at a rapid rate of 30 - 40 percent annually." --Such a clear statement makes it evident that the manufacture of more and more attractive consumer goods is becoming a key question for the continued realization of our economic and social policy.

Dr. POPPE: This also clearly implies that the orientation to a stepped-up production of consumer goods as a focal point of intensification is a basic component of the economic strategy of our party in general. This is a strategy concerned not only with CAD/CAM solutions and other advanced technologies, but which also is seriously concerned with "toothbrushes, water buckets, parkas and bed sheets," to refer once again to the speech cited at

the beginning. It might be that here and there one or the other combines is trying to avoid the issue, hoping that "this whole boom in consumer goods" might pass it by. In general, however, the work was taken up some time ago in our country and in our district. The scope of the production of consumer goods is widening in a noticeable way, the selection is broadening, the percentage of new products is growing constantly. This is due in part to the fact that we have been able to make even those combines which primarily produce capital goods also responsible for the development and production of high-quality consumer goods, including supplies and rationalization measures for the end producers of consumer goods. This is in keeping with their overall responsibility to the national economy.

Effective and Attractive Through Improved Refining

[Question] To be sure, high-quality consumer goods, unlike basic consumer goods, cannot be produced in an ancillary way, but rather only within the framework of the complex reproduction process.

Prof. LOTZE: In 1985, 20 percent of industrial goods came from the combines, which are primarily oriented to means of production. It is becoming increasingly important to carefully prepare production. Attention must be paid to ensuring adequate research and development capacities and discriminating industrial design. Production divisions or production enterprises must be built up in which suitable technologies are utilized. This is impossible without streamlining measures, without modernized basic materials and flexible automation. However, the key ingredient in all of this is quality.

Dr. POPPE: For example, if the so-called "surplus inventory" increases in certain assortments of goods, this does not ordinarily mean that there is no corresponding demand. Usually it signifies that the customers are unwilling to accept the quality of the goods proffered.

Prof. LOTZE: Expressed in dollars or pounds sterling, the world market prices for wool, cotton and leather have developed over the long run in such a way that one can actually speak of "costly raw and other materials." But domestic raw materials, too, have a right to be processed and finished with skill and care. But savings in materials should under no circumstances be allowed to lead to a compromise in quality. Such parsimoniousness would, in the final analysis, direct itself against the producers and society. Complaints, refinishing, repairs not only reduce our wealth; they are above all a source of annoyance and vexation to the customer, depriving him of his valuable leisure time.

[Question] Let us consider for a moment the topic of refining. This process plays a very essential role in the consumer goods sector. In view of the level of international comparison, it is obvious that we are less concerned with matters relating to packaging, which in themselves are not unimportant, than above all with a more favorable ratio of quantity to workmanship.

Dr. POPPE: A higher quality of consumer goods makes it possible to produce greater quantities of unit items without the need for more materials. At the same time, the effectiveness of the supply system is increased. The demand for spare parts is declining in relative terms, despite increasing production of units of end products. We are basing our strategy on the assumption that use-value must necessarily, not as much as possible, be linked to design and quality. What we need are products with a high degree of utility for the customer, which can be efficiently manufactured. Refining contributes to rational consumption. This means energy savings in the home or the possibility of the modernization of high-quality electrical and electronic consumer goods.

What we understand by refining can be explained using the example of foodstuffs and non-essential food and drink. Our high per capita consumption of meat and butter is quite notorious. To put it somewhat differently: eight percent of our arable land is cultivated only for our excess poundage. Healthy alternatives are needed here: highly refined meat, milk or fish products, for example.

Prof. LOTZE: At the same time, a quite positive tendency can be seen recently in retail sales. The sales of industrial goods is increasing more rapidly than that of basic and non-basic food items. Now it is important to expand these rudimentary tendencies by means of an attractive selection of high-quality industrial consumer goods.

[Question] ... and this is true for several reasons...

Prof. LOTZE: One reason is definitely connected with the supply of goods and the principle of socialist work performance. Whoever works well wants to live well. And the reverse is also true: whoever wants to live well is motivated to perform better.

But there are two other factors which are also of importance. In the first place, the average family's income is increasing from year to year, while their basic expenditures hardly increase at all. After all, we guarantee stable prices not only for basic foodstuffs, but also for many other regularly recurring expenditures, such as rent, transportation etc. The "disposable assets" of families are increasing along with their income, also in the form of more savings. In the second place, most people are so well outfitted with durable consumer goods, with clothing etc., that they rarely need to purchase anything if they are not convinced of the quality and attractiveness of the product under consideration. This fact makes it clear why it is important to offer new, demand-oriented products!

Dr. POPPE: There is now a justifiable demand for greater use-value of a new acquisition, not simply replacement of an old television set, for example.

As to which areas should receive priority for the expansion and modernization of goods, there are a number of orientation points for this question. However, market research that is oriented to life styles and basic knowledge concerning the growth in demand are only useful if industry reacts rapidly and flexibly to changes in demand.

Prof. LOTZE: It is the role of commerce, however, to represent more effectively the interests of the consumers with regard to industry. The commercial sector must consistently utilize the opportunities afforded it by planning regulations, the contract law etc.--on behalf of an effective cooperation with industry in the interest of social efficiency and of its clientele.

Sponsorship Help Results in Gold Medal

[Question] A moment ago, the planning regulations were mentioned. Who has the responsibility for seeing to it that especially those enterprises which primarily produce means of production do not bring consumer goods which are not demand-oriented onto the market?

Dr. POPPE: In the first place, we have in place a well-functioning system of planning and balancing which is well proven in the traditional sector of consumer goods and which is continually being perfected. For the combines which manufacture means of production, however, it is often a case of entering upon unfamiliar territory. For they are now asked to deal with partners such as domestic trade or businesses which handle consumer goods. As balancing organs, the latter naturally place demands on or even occasionally reject a partner that is unable to produce a consumer good in a cost-effective way, thereby hurting efficiency.

The work of the principal enterprises for certain product groups is receiving new impulses. They now really have to go on the offensive, come up with proposals, in order to finally awaken new needs with new products and to close deficits. An extraordinary success factor in the district has been sponsorship relations between enterprises and combines that are managed both centrally and on the district level. This is true above all when it is a question of not allowing the small enterprises to be circumvented by key technologies. As the district council, we have important tasks relating to coordination. These tasks concern joint mid-range rationalization measures as well as cooperative relationships, joint investments or the joint development of materials. As was the case, for example, between the artificial leather and fur-processing combine and the district-managed "Aktuell Lederwaren" combine, the result was a gold medal awarded at a trade fair for a set of luggage. CAL Grimma, for example, helped the paper products factory in Grimma in a socialist way to modernize its production process and to increase labor productivity. This is additional proof that we have already taken concrete steps to increase the efficiency of our production of consumer goods.

New Products, Services, Attention to Customer Demand

Prof. LOTZE: If one speaks of planning and needs, it is no longer sufficient to make a list of what is missing and to orient oneself to this list. One should not, of course, overlook such information. But above all the important thing is the stable and long-range solution of the relationship between total commodities available and disposable income. Various factors must be taken into consideration in this regard, including demographic developments, changes

in the population structure and new lifestyles and consumer behavior, as well as the general impact of the increase in the level of education. It is logical that there are differences in the wear and tear on footwear at ages one, four or thirty. It should not be overlooked that older segments of the population as well are today dressing more youthfully, more sportily and more fashionably. The use of leisure time is undergoing a transformation. The demand for sporting goods and for do-it-yourself items is increasing. Corresponding decisions have been made for new structures and proportions within the production of consumer goods. These are reflected in the new planning regulations and in the draft of the Five Year Plan for 1986-1990.

Dr. POPPE: Everything that has been discussed confirms the high value placed by the party of the working class on the production of consumer goods in our country. Growth is underway in many areas, in order to deal with the high rates of increase and renewal that are required. The streamlining that must be carried out cannot happen overnight. But one thing is certain: the increase in performance levels, especially in the district-managed combines, will be primarily reflected in the production of consumer goods. But what may be initially a quantitative problem, however, cannot be continued in a linear, quantitative production policy. Improved national economic results require improved quality. This means, among other things, new products, paying attention to consumer wishes and improved service.

Prof. LOTZE: In keeping with the unity of economic and social policy, it could be put like this: consumer goods are the actual end products of all production, for consumption is, in the final analysis, the ultimate goal of production.

FRG Analysts Comment

West Berlin IWE TAGESDIENST in German No 51 3 Apr 86 pp 1,2

[Text] "A positive tendency" can be noted in the retail sales volume of the GDR, in the view of Prof. Dr. Hans-Joachim Lotze, Leipzig expert for domestic trade. The retail turnover is increasing faster for industrial goods than for foodstuffs and luxury food and drink. These trends must be developed by means of an attractive selection of high-quality industrial consumer goods, Prof. Lotze emphasized in an interview. He pointed to the surplus purchasing power in the GDR in this regard. He cited the fact that household income is increasing from year to year, while there is hardly an increase in basic expenditures. Along with income, Prof. Lotze states, the "Manoevriermasse" [disposable assets] of the families is also increasing, "also in the form of increased savings deposits." In the view of Prof. Lotze, who teaches at the Leipzig School of Commerce, in the area of planning "it is no longer sufficient to make a list of what is missing and to orient oneself to this list." The "long-range solution of the relationship between total commodities available and disposable income" requires that "demographic developments, changes in the population structure and new lifestyles and consumer habits, as well as the impact of the general rise in the educational level, be taken into consideration."

Basic foodstuffs continue to dominate the retail turnover of the GDR. They account for about one-third (1984 = M 34.8 billion) of all goods sold. This percentage is disproportionately high in comparison with Western countries. The sales of non-basic food and drink has steadily increased along with the rise in the standard of living (1984 = M 20.5 billion). In terms of quantity, however, the level of consumption is as a whole below that of the FRG. Sales of manufactured goods, which stagnated in 1982 and 1983, have, to be sure, once again risen (1984 = M 53.3 billion), but accounting as this figure does for just fifty percent of entire retail sales, it has a remarkably small impact for an industrialized national economy. This can be attributed above all to the inadequate supply of attractive new products. Households are by now so well-equipped with durable consumer goods that there is no reason for many GDR families to make purchases if they are not convinced of the quality and attractiveness of a product or if the product does not satisfy new needs. It is noteworthy in this regard that savings balances of the GDR population have risen enormously. At the end of 1984, savings bank deposits amounted to about M 120 billion as compared with 17 billion in 1960 and 52 billion in 1970. Observers believe that savings bank deposits of GDR citizens will this year surpass M 125 billion.

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ECONOMY

GERMAN DEMOCRATIC REPUBLIC

ACADEMY OF SCIENCES TO WORK MORE CLOSELY WITH COMBINES

East Berlin WIRTSCHAFTSRECHT in German Vol 17 No 1, Jan 86 (signed to press 25 Nov 85) pp 1-3

[Article by Dr Gerhard Weidlich, deputy chairman of the State Contract Court]

[Text] The 11th SED Central Committee Plenum deliberated on the tasks that are in the center of the work of the party of the working class and our people as a whole. It oriented on comprehensively combining the national discussion on the fundamental problems of our time with the solution of the current tasks of domestic and foreign policy and with our successful balance sheet since the Tenth SED Congress. In accordance with the requirements of the economic strategy for the further strengthening of the GDR economic power, the decisions required for the future were made to continue the tested course of the main task in the long run. The good initial positions for the solution of the tasks which the 11th SED Congress will decide for the coming years were expanded. The results of the fulfillment of the 1985 Economic Plan confirm this fact. "With the 1986 Economic Plan the economic strategy of the SED, tested by life, is being further implemented in conformance with the rapidly growing requirements of the scientific-technical revolution and our social development."¹ Decisive in this connection is the fundamental change towards comprehensive intensification, the development of the material and intellectual potential, the comprehensive linking of the advantages of the socialist society with the results of the scientific-technical revolution. The main instrument of the socialist economic leadership is the state plan. Its fulfillment and specific surpassing decisively depends on the increasingly more effective utilization of science and technology and on the more comprehensive development of the creative initiative of the working people. Fulfillment of the great requirements in the comprehensive intensification demands further perfecting of management, planning, and economic accountability. The socialist commercial law and the commercial contracts must also be made more effective in this connection.

With the new version nearly all fundamental regulations of commercial law since the 10th SED Congress, comprehensive and synchronized legal regulations are in force based on the corresponding decisions of party and government, which are required for the economic strategy directed at the continuing pursuit of the policy of the main task for the second half of the eighties and beyond that. The contribution of the State Contract Court consists in influencing the consistent implementation of these legal regulations in the work of the plants, combines and state organs as well as in participating in the preparation of the required legal

regulations. To raise efficiency in the economy, it is a task of high political and economic rank to effectively support the initiative of the plants and combines in organizing and achieving effective relations of cooperation for the 1986 Economic Plan. Better mastery and smooth development of the interlocking economic relations requires, simultaneously with the timely and complete buttressing of the state plan quotas with commercial contracts, guaranteeing adherence to the contracts even more consistently. As a matter of principle, the economy does not balance contract arrears with advance deliveries. What is important is the use-value fulfillment and not merely fulfillment of the plans in terms of value.

Therefore, the following tasks crystallize for the court rulings:

Structuring of Coordination and Performance Contracts Between the Industrial Combines and Plants and the Institutions of the Academy of Sciences as Well as Universities and Colleges

With the decisions of the 9th and 10th SED Central Committee Plenums measures were instituted which will continue to trigger a significant structural change in all branches of the economy. Thus the strategic development directions will be met, which, starting from the objective development trends of the productive forces are required. It is especially necessary to broadly apply direction and pace of the key technologies determining scientific-technical progress and to achieve top positions in decisive fields. Hereby the close link between science and production is of decisive importance. Their relationships were considerably expanded. Research at the Academy and in the university system should largely correspond to the requirements of the technical-technological development of the combines. The commercial contract plays an important role in this connection. The research cooperation of the industrial combines with the Academy of Sciences, the universities and the colleges is to be stipulated in commercial contracts on the basis of the plan. In the past such tasks were achieved by those involved mostly on behalf of the state on the basis of the approved research and development topics. The effectiveness that is guaranteed by an exact contractual agreement and its fulfillment was not sufficiently exploited. Therefore the State Contract Court is confronted with the task of supporting this "qualitatively new step"² in the exemplary shaping of coordination contracts for research cooperation as a whole and performance contracts for the individual segments of research work. The main fields of the research cooperation must be covered by cooperation contracts to create stable foundations for the contractual relations concerning the concrete tasks of basic and applied research. By means of the cooperation contracts it must be guaranteed that the institutions of the Academy and of the university system take into consideration the long-term technical-technological development of the combines in defining preliminary basic research. Finally the coordination contracts must also include the measures on the basis of which the research cooperation to be agreed upon in the performance contracts on the individual tasks is supported in the long term. With the issuance of a new research decree³ generally the orientation for the economic relations between combines and scientific institutions as well as a framework for the preparation of commercial contracts will be available.

Assuring High Flexibility and Continuity of Production and Sales

Quick and flexible reaction to the rapidly changing conditions of the domestic market and of the external markets (socialist world and nonsocialist world) also is one of the crucial questions of the intensively expanded reproduction in the second half of the eighties and beyond that. To the degree to which the transition to the intensively expanded reproduction is practically carried out in the CEMA member countries, rate and volume of the replacement of the production will necessarily continue to increase. The 1986 Economic Plan provides for a replacement rate of 28 percent. Therefore, in preparation for the 11th SED Congress it is important to raise the suppliers' flexibility and ability to react to newly developing demand requirements. Repeated reports have been made concerning the one prerequisite for that, namely the application of the Order and Delivery Terms Decree.⁴ However, it is not to be separated from the introduction of more prefabrication, the increase in the inventories of the suppliers at the expense of the inventories of the consumers as well as from the effectiveness of the trade in means of production and the gradual introduction of production controlled material supplies. The results thus far achieved in increasing the economy's flexibility and ability to react is not yet completely satisfactory, but a series of manufacturing and consumer enterprises have practically utilized the favorable conditions created with the Order and Delivery Terms Decree and with the supply regulations to revise their orders 3 months prior to the delivery quarter without sanctions or to conclude annual contracts with a rough assortment. Thus, e.g., the production of certain designs of bipolar and unipolar monolithic integrated circuits on semiconducting carriers could be reduced by flexible application of the Order and Delivery Terms Decree by 6.75 percent and 5.6 percent, respectively, and could be adjusted to satisfying the changed demand by inclusion of the newly needed designs. There are also good examples of flexible supply in the case of metallurgical products.

However, proceedings and investigations of the State Contract Court reveal that many plants in 1986 placed or requested their orders at the same early time as in previous years. Taking into consideration the thus far available experiences as regards flexible reaction of suppliers and orderers, the chairman of the State Contract Court, in consultation with the heads of the competent central organs, issued the Fundamental Declaration No. 4 of 2 December 1985 on the Application of the Order and Delivery Terms Decree.⁵ With this announcement, the enterprises received a guideline for the uniform application of this legal regulation. It will be a task of the State Contract Court to provide examples of the implementation of the Order and Delivery Terms Decree on the side of the orderers as well as on that of the suppliers in application proceedings as well as in proceedings without application, especially as regards the quarterly specification. Here the preparation of the conclusion of a contract for 1987 as well as the specification of the second and third quarters of 1986 are on the agenda even now.

In this connection, the second important task consists in the exertion by the State Contract Court of greater influence on increasing the continuity of production and sales. Last year, too, some of the plants and combines which worked on model solutions of a high continuity in production and sales were supported by consultations and in the rulings. This process is being continued this year by the State Contract Court. In this connection it is especially important to

help eliminate the frequently occurring gap between production and sales continuity by influencing the improvement of the sales continuity. That must be done by the establishment of appropriate performance deadlines in the contracts. In Article 51, the contract law regulates the principle that the performance deadline between the plant is to be so set that a longer performance deadline than one month on principle is not permissible. Thus the contract law makes possible the application of the ten-day deadline, but does not specifically orient on it. It was legally regulated⁶ that the ten-day period is regarded as generally customary performance deadline. The performance time in the commercial contracts, while taking into account the technological conditions in production, effective stockkeeping as well as the development of optimum packaging and transport processes in agreement with the manhour fund available within the ten-day periods, is to be agreed upon basically by ten-day deadlines or deadlines within the ten-day period. It is important to implement these deadlines that assure continuity. Therefore, the State Contract Court will apply these principles of decisionmaking in proceedings to change the relationship of the contracting partners independently of the application of the enterprises. The new legal orientation is to be supported at the same time by a binding interpretation of the contract law. Therefore this necessary requirement was taken into consideration as part of the more precise definition of the Fundamental Declaration No. 3/1972 by the Fundamental Declaration No. 3/1985.⁷

Timely Contractual Safeguarding and Implementation According to Plan of Economically Important Investment Projects

At the Ninth and Tenth SED Central Committee plenums and at the Eighth Construction Conference, the requirement to consistently continue the path of the comprehensive intensification of the economy was again confirmed and for this purpose to decisively raise the contribution of the investments by concentrated employment of the material and financial funds.⁸ W. Stoph, in substantiating the 1986 Economic Plan in the People's Chamber, pointed out that the contractual commitment of all deliveries and performances for the investment projects included in the economic plan must be accomplished by the end of December 1985. Since the experiences from the rulings indicate that the conclusion of contracts drags on in some cases to the first quarter of the new plan year, principal attention is to be directed towards the immediate contractual commitment of the remaining projects.

In the weeks remaining prior to the 11th SED Congress, it is above all important to support the implementation according to plan of the projects whose completion and putting into operation were decided in honor of the party congress. Furthermore, influence is to be exerted on the safeguarding by cooperation of the preparation and implementation according to plan of selected investment projects of great economic importance, especially of projects for the accelerated introduction of scientific-technical results and key technologies as well as for the assurance of the production of high-grade products for the consumer supply. Of special importance for the investment principals is the safeguarding of the full contractual commitment for the contributory performances of the general contractors, the main contractors or other important contractors in the preparation of the task and the decision on principle, since the timely conclusion of the

preparation of the investment projects to be achieved in 1987 depends thereon. The State Contract Court will and must contribute this year, too, to the co-operative safeguarding of the projects of complex residential construction, especially to guarantee the full completion of the residential areas, including the external plants as well as the safeguarding of high quality and completeness of the performance. Efforts by plants that still occur in isolated instances to achieve a reduction of the performance even though its completeness has not yet been achieved must be resolutely rejected.

In the influence exerted by the State Contract Court on the conclusion and fulfillment of the commercial contracts on investments, it is especially important that

--stable foundations for the further preparation of the investments be created through the development of qualified tasks with early and comprehensive inclusion of contractor enterprises of construction and of equipment enterprises,

--the preparation of the investments be accomplished according to the rules and regulations and according to the economic targets and deadlines set with the plan of the preparation through the development and issuance according to target date and quality specifications of binding offers including binding price quotations,

--unjustified project planning expenditures and thus economic losses be avoided through the strict separation between preparation and implementation of the investments and the contents of the commercial contracts applied to the respective phase,

--with the development of the commercial contracts on the participation in the preparation of the decision in principle, attention be directed early at instituting measures to ensure the capacity for the later achievement of the investments and the required correspondence to the requirements set down in the plan and in the balance sheet be established,

--with the agreements in the commercial contracts on the implementation of the investments, adherence to and improvement of the technical and economic indicators established and confirmed in the decision on principle be guaranteed,

--the commercial contracts on the implementation comprise the entire period of the implementation of the investment and the agreements on the extent of the performance ensure an effective management organization and structure of the cooperation relations as well as concentrated construction and assembly work and the shortest possible construction periods.

Achievement of High State Discipline in the Organization and Implementation of the Contractual Relations

It is an important task of the State Contract Court to exert influence on the timely, complete conclusion of a contract in accordance with demand. In this connection, it is important to consistently realize the balance decisions in the designing processes and to support the plants and combines in the organization of the cooperation relations required for the fulfillment of the 1986

Economic Plan. Cooperation problems which cannot be decided in the plants' own responsibility must be settled in time by directions of the State Contract Court to the combines and to the central state organs. The development in 1985 showed that hereby the timely and complete contractual commitment of the state plan positions assumes special economic importance. State plan item in which repeated fulfillment backlogs have occurred are in the foreground in this connection. Starting from the balances and production quotas it is important in utilizing these processes to submit proposals for a higher complexity of the planning and balancing decisions as well as for raising the effectiveness of the balancing decree. According to planning law regulations, the balancing combines and the combines charged with balancing regularly have to control the status of the contractual commitment even in preparation of the balances. In the coordination of the balances the necessary decisions concerning the conclusion of the contracts must be made or proposals for decision must be submitted to the organs confirming the balances. The value attributed to the timely and complete conclusion of the contract is expressed by the implementing regulation of 28 November 1985 to the contract law--Ensuring the Timely Conclusion of the Contract.⁹ In the future, the suppliers will have to pay a penalty for breach of contract to the orderers if they delay or refuse conclusion of contracts without justification and thus violate the deadlines set down or agreed upon in the legal regulations or coordination contracts for the conclusion of the contract. This implementing regulation, which goes into effect on 1 February 1986, no longer takes full effect for the conclusion of contracts in 1986 since most of the contract offers have been submitted and the industrial goods production to be sold in 1986 in the areas of the industrial ministries was already more than 50 percent committed by contract in November 1985; the implementing regulation does apply to the contract offers still to be made this plan year. Thus most enterprises have sufficient time to adapt themselves to the new situation.

The key points in terms of contents in influencing the organization and implementation of the contractual relations are formed by selected tasks of the science and technology state plan, especially by the key technologies and the new materials, such as ceramics for technical fields of use. A further key point results from the support of general suppliers in the development of the required cooperation relations for the realization of installation export projects according to the contract as well as on influencing the fulfillment of the export commitments.

In accordance with the constantly increasing level of equipment of the households with durable industrial consumer goods, as well as the requirements of the modernization of maintenance according to plan and the longer use of the fund for fixed assets in the economy, it is important to pay maximum attention to the supply according to demand with spare parts, subassemblies and accessories. In the regulation of 14 November 1985 issued in this connection on the Preparation and Implementation of the Plan for the Safeguarding of the Spare Parts Supply¹⁰, it is especially stated that the plants and combines which produce finished products with spare parts and accessories, starting in 1986 had to prepare a plan for ensuring the spare part supply as a component of the plant and combine plan.

Starting from the responsibility of the final producer for the spare part supply, it is important to conclude contracts between him and the user which can be precisely fulfilled. That is to say, that the conclusion of the contracts of the final producers with the users coincides with the contracts concluded by the final producer with the suppliers. Thus the State Contract Court--to achieve realistic contracts--in the developing proceeding in which the final producer refuses conclusion of the contract for spare parts because no contractual commitment with the supplier has been achieved, will include the supplier in the proceeding and will have to make a complex decision. Not least, what is involved in the exertion of influence of the State Contract Court is the consistent adherence to the commercial contracts and the rapid elimination of contract backlogs. Support of the fulfillment of the tasks in the field of national defense must be at the top of the list.

The State Contract Court will analyze the essential findings on lack of management activity in relation to the plant directors and general directors of the combines made in proceedings which have as their object the payment of penalties for breach of contract as well as in proceedings dealing with ensuring co-operation and with controls. Also by imposition of state targets the rapid elimination of contract backlogs must be influenced. On the other hand, the State Contract Court, when giving recognition especially will have to develop for general dissemination at the same time the positive experiences gained from the work with the commercial contracts.

The responsibility of the State Contract Court for the fact that the socialist commercial law will make an increasingly effective contribution to the implementation of the economic strategy of the SED according to the requirements of intensification can be taken care of only in coordination of the full-time contract judges with the honorary contract judges, the arbitrators. Over 2,000 arbitrators who are involved in practical life and possess the economic, technical, and plant organizational knowledge required for the decision of facts to be made are guarantors for the fact that the socialist commercial law and the social interests expressed in it will be implemented consistently but always in agreement with the justified interests of the plants and combines.

FOOTNOTES

1. W. Stoph, "Speech at the 12th GDR People's Chamber Session on the Substantiation of the Law on the 1986 Economic Plan," NEUES DEUTSCHLAND, of 30 Nov/1 Dec 85, p 3 (B).
2. G. Mittag, "Speech at the 12th GDR People's Chamber Session on the 1986 Economic Plan," NEUES DEUTSCHLAND of 30 Nov/1 Dec 85, p 6 (B).
3. Will be published in the near future.
4. "Decree of 5 Jan 84 on Order and Delivery Terms for Raw Materials and Other Materials--Order and Delivery Terms Decree--(GESETZBLATT I, No. 2, p 9); cf. M. Flegel, "For Greater Flexibility of the Economy," WIRTSCHAFTSRECHT 1/84, p 2; K.-D. Schwenk/E. Suess, "Concerning the Decree on Order and Delivery Terms," WIRTSCHAFTSRECHT, 2/84, p 32; H. Badestein, "The Annual Contract in the Rough Assortment--Legal Norm of

the Normative Contract Specification," WIRTSCHAFTSRECHT, 2/85,
p 40.

5. Will be published in VERFUEGUNGEN UND MITTEILUNGEN/
STAATSVERTRAGSGERICHT, No. 1/86.
6. Cf. Regulation of 30 October 1985 on the Ten-day Planning of
Selected State Plan Indicators (GESETZBLATT I, No. 28, p 320),
Article 4.
7. Will be published in VERFUEGUNGEN UND MITTEILUNGEN/
STAATSVERTAGSGERICHT, No. 1/86.
8. "From the Report of the Politburo to the Ninth SED Central
Committee Plenum; Rapporteur: Comrade Er ch Honecker," Berlin
1984, p 41 ff.
9. GESETZBLATT I, No. 32, p 362.
10. GESETZBLATT I, No. 29, p 326, especially Article 9.

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CSO: 2300/319

ECONOMICS

HUNGARY

EFFECT OF PRESENT TAX SYSTEM ON ECONOMY EXAMINED

Budapest IETI VILAGGAZDASAG in Hungarian 25 Jan 86 p 52, 54

[Article by Maria Petschnig: "Ace of Taxes"]

[Text] Our economic policy for the coming years will place a perceptibly greater emphasis on seeing that the population's income is put in the service of economic development. But it is by no means a matter of indifference how this is done, the author of the following article maintains, taking the position that a strong increase in the taxes of the population and assessments will have an inflationary effect under the present domestic conditions and will not help unconditionally in the modernization of the economy.

Among the financial resources of the Seventh 5-Year Plan the population's income is over valued to a considerable degree. There are four ways in which, in theory, the population's money can be used for the more intensive development of the economy. One is for economic management to increase the directly unpaid portion of the new values created by the workers, that is to say, to change the ratio of wages and social net income in favor of the latter. We are speaking, therefore, of money which the workers make but do not see in the pay envelope. In the second way, the already realized incomes are redistributed by raising prices and broadening commodity categories. The broadening of such categories will have the effect of eliminating or narrowing the scope of commodities or services which have been available up to now for free or at little cost. For example. recreation fees will be raised.

Thirdly, increased centralization of the population's income may be achieved by increasing direct state withdrawals. (Of course, a price increase also represents in part an income withdrawal, but indirectly with the help of prices.) These include the broadening of the scope of taxes, duties and fines, or an increase in charges.

Finally, the fourth variant builds on the fact that the population spends only a part of its income on consumption, and if stimulus is given to increasing the remaining portion, a surplus source is created for production. Stimulation of savings by the population may be accomplished by broadening the operational scope of private capital or by the introduction of new money saving constructs-bonds, certificates, shares, and so forth.

All of the aforementioned variants represent entirely different solutions, and every solution has its own characteristic function. The right of these functions to exist cannot be doubted, and all of them can be found in modern economies. However, when the economic managers want to increase the participation of the population's money holdings in the capital supply of the economy and seek possible ways to develop a new system, they must unconditionally weigh the question: The strengthening of which form or forms should we follow?

In making the choice, of course, various considerations must be taken into account. The most important is that unjustifiable social tensions should not be created and that the chosen form should be suitable to the price and wage relations as developed. (In the case of complex price, wage and tax reforms, of course, the area of mobility for economic policy is entirely different, but as of now these are not germane to Hungary.) The question of whether the solution is in harmony with the reform of the economic guidance system must also be considered. It is of particular importance that the economic policy measure to be taken respects the autonomy of individual decisions, and is suited to the population's opportunities for participation, and to a differentiated property situation. And not least of all, it should stimulate production to the extent possible and thus result in additional income. The question is how the aforementioned four ways of concentrating the population's income will meet the above-listed considerations.

In Hungary the state does not pay wages to cover manpower-as-commodity reproduction costs--living expenses, child rearing and training outlays--from newly created value, that is, these are centralized before becoming the population's income. There are no data in Hungary as to how high wages should be to cover all these outlays. It is certain, however, that the portion not paid out by the state--at unchanged or declining values--can be increased only if the wages paid are decreased. This cannot be considered as a course that should be followed. Therefore, centralization can be strengthened only in the event efficiency increases and there is a rise in new values. Its clear realization is difficult to picture, however, because incentive wages are necessary to increase efficiency.

The domestic consumer price and wage system developed in 1946 and still substantially in effect followed, among other things, the principle that the reproduction costs of manpower need not be paid fully in wages because the workers receive a part of the benefits and services for free or at reduced prices. It was in this way that free health care, low-fare transportation, and so forth became virtual entitlements. The increasing charges for services that were once free or half-free--for example, making cultural events a commodity--represents a broadening of the commodity relations, to be sure, but since it abandons the principle of price development one-sidedly, that is, only from the aspect of price, it leads to unjustified real-income and social tensions. We may evaluate in a similar way the continuing rapid rate of increase in consumer prices, without wage adjustments. According to experience, the transformation into income-creating savings of a budgetary increase in income achieved in this way has very little chance of success. (In using this form we must consider the announced anti-inflation policy of the Seventh 5-Year Plan.)

Direct payments by the population into the central budget represented only 2.9 percent of total state revenues in 1984, but their rate of increase between 1980-1984 was extremely noteworthy. The rate of increase in indirect (sales tax) and direct taxes on the population far exceeded the rate of increase both for enterprise payments and total revenue growth.

We are gradually becoming accustomed to having each new year bring new tax decrees. In addition to an increase in tax discipline, the number of withdrawals, over and above taxes, directed against the small entrepreneur sector are increasing according to the indications. Such measures stimulate and compel the rapid recovery of invested capital, and on the domestic market at present this can be most easily achieved through prices with a high profit content.

The increase in the tax and fee-payment obligations of small producers--as measured by experience--has evoked various reactions. One occurs when the small businessman does not reduce his activities but prepares a tax return that will put him into an acceptable tax bracket. In addition, in order to keep the usual income or income increase, he will use prices which will produce the increased tax or social security charge. According to observations the increase in state withdrawals arouses price-raising intentions, which in the absence of market limitations can become a reality because there is still no real competition between the private and state sectors or within the private sector. But if the charge that must be paid increases to such an extent that it cannot be shifted within the foreseeable future to the buyer or client, it has been our experience that the small entrepreneur often abandons his activity or returns the entrepreneurial license, pays no taxes or operates without a license.

Development of Central Budget Revenues, 1980-1984

	Billion forints		Percent 1984/1980
	1980	1984	
Payments by enterprises and cooperatives	242.2	294.9	121.8
Consumer sales tax	58.7	87.3	148.7
Population payments	10.7	16.8	157.0
Total revenues	447.5	572.9	128.0

In the end, therefore, it is the consumer who pays for increasing withdrawals either through price increases or greater supply tensions: the result is inflation or shortage; or over time, shortages and again inflation. To quote Balazs Hamori's play on words: a "scarce-flation" becomes characteristic.

Increased taxation on personal property also has the effect of raising the price level. It is a natural demand that the property owner should not want to make out badly in his ownership, and therefore he seeks to realize the rent on properties (for example, an apartment or recreational facility), or when he sells these properties he tries to go higher in the sale price.

Assessments (for example, public works developments, and more recently settlement developments) do not have a direct inflationary effect, but whoever has to pay is constrained to increase his income, for these sums were not built into the wages. And this can exert pressure on prices.

If the direct central payments, that is, taxes and assessments, are increased, this means a lower consumer price rise for the Seventh 5-Year Plan than in previous years, but the charges to the population do not decline. The change amounts to this: as long as inflation--on the basis of consumption--has a more or less general effect, the direct withdrawals are personal. As is evident, however, the final effect in this case, too, is felt by the whole of society as mediated by those directly named.

With the increased concentration of the population's money, the budgetary system is strengthened and this conserves the production mode and structure as it has developed. Only that mode of income circulation is capable of the quality renewal of production and management for which the population volunteers, or is in some way interested in the strongest possible recovery of its money. This form, which comes about on a voluntary basis, is capable of expressing the interest of the financing and financed material interests, and promotes the development of capital relations organized on the basis of efficiency. The dynamic ideas for the coming years require significant central resources. It is to be feared, however, that in drawing the population's incomes into production, emphasis will be placed on forms that show immediate results, not on those which express the income interest of the population or production interests and signify long-term solutions.

6691/12913

CSO: 2500/239

ECONOMY

POLAND

MINISTER WOJCIK REPORTS ON FOREIGN TRADE SITUATION

Warsaw RZECZPOSPOLITA in Polish 10 Apr 86 pp 1, 2

[Report by Tomasz Bartoszewicz on press conference held by Minister of Foreign Trade Andrzej Wojcik]

[Text] Stereotypes on the role and function of foreign trade in the national economy are still held in society. It is generally believed that only surpluses should be exported, otherwise the marketplace is being depleted. The belief that foreign trade contributes to import and inflation also prevails.

All of this reinforces autarchic tendencies and anti-export moods. It was with these assertions that Andrzej Wojcik, minister of foreign trade, opened a press conference in the Government Press Office. He reminded that Poland plays a very small part in international trade and all indexes dealing with this subject put us close to the bottom of the list in Europe.

It is true that during implementation of the 3-year plan the growth rate of export (5.5 percent a year) slightly exceeded the growth rate of national income (4.9 percent), but this difference is still absolutely too small. It is envisaged that during the next 5 years export will grow an average of at least 5.1 percent annually, with a planned 3 to 3.5 percent growth of national income.

Minister Wojcik then discussed the first quarter figures in foreign trade. Fulfillment of the National Annual Plan is much further along than a year ago. But consideration should be given to the fact that poor implementation of the plan during the first quarter of 1985 was the result of extremely bad weather conditions last year. All in all, it appears that the assumptions of this year's plan may be fully implemented. But this will require greater effort on the part of producers of goods for export and on the part of the trade apparatus.

In talking about the draft National Socioeconomic Plan for 1986-1990, examined recently by the Council of Ministers, Minister Wojcik said that the plan provides for the allocation of up to 20 percent of export receipts (in export to the second payments area [capitalist countries]) for debt-servicing. It is also envisaged that in turnovers with states with whom we settle our accounts

in free foreign exchange, import will grow somewhat more rapidly (3.8 percent a year) than export (3.5 percent). Thus a relatively modest growth of export to the second payments area is assumed. This is due to the lack of sufficient supplies of goods for export, especially if we consider that we cannot count on any kind of growth in sales of raw materials and fuels.

In this situation, future growth of export is dependent primarily on investment policy. The minister of foreign trade intends to take greater measures to restructure the economy. We expect that in several weeks a decision will be made to form an Export Development Bank, which will concern itself with financing pro-export investments. An expert consulting enterprise will also be formed under the Ministry of Foreign Trade to evaluate various investment projects, including joint ventures using foreign capital.

Much more can be done in the export of services. As Minister Wojcik said, world turnovers of services amount to \$700 billion. Poland has a very minimal share in these turnovers. Because of this, the Ministry of Foreign Trade has recently taken steps to stimulate the export of services.

Replying to journalists' questions, the minister announced that by the end of the second quarter, normal service for import financed from foreign exchange allowances, will be restored. The delays which occurred in this area were caused by the country's payments difficulties at the beginning of the year.

A RZECZPOSPOLITA journalist asked a question pertaining to reform of the tariff system in the context of Poland's relations with GATT. In reply, Minister Wojcik said that reform is indispensable, just as is a change in the licensing policy (issuance of permits for the export and import of goods). The work in this area is to be comprehensive. It is envisaged also that presentation of our system of foreign trade in GATT will occur in connection with a new round of multilateral trade negotiations which will soon take place.

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CSO: 2600/368

30 May 1986

ECONOMY

POLAND

SZALAJDA DESCRIBES NEW AGREEMENTS WITH FRG

Warsaw RZECZPOSPOLITA in Polish 17 Mar 86 p 5

[Interview with Vice Premier Zbigniew Szalajda by Tomasz Bartoszewicz: "A Step Toward Normalization"; date and place of interview not specified]

[Text] A few days ago, the 6th session of the Governmental Mixed Commission of the PPR and the FRG for Issues in the Development of Economic Cooperation took place in Bonn. A RZECZPOSPOLITA journalist asked Vice Premier Zbigniew Szalajda for an interview on the results of this session.

[Question] Mr. Premier, you were the joint chairman of the proceedings of the Mixed Commission. What is your assessment of the results of the meeting?

[Answer] My visit to Bonn was one of the major elements in the dialogue between our states. I can state that in the sphere of economic relations, a climate has arisen that favors negotiating on concrete proposals for cooperation. As I emphasized in the talks with our partners, the basis for the development of our economy is cooperation with the USSR and the rest of the CEMA member states. It has permitted a gradual normalization of the economic situation in our country and a restoration of equilibrium. This in turn strengthens our economic attractiveness to Western states as an economic partner. There has been a marked favorable evolution of our economic cooperation with these states, including the FRG, which is the subject of our conversation today.

[Question] What specifically was established during the session of the Mixed Commission?

[Answer] The key topic in the talks was the issue of normalizing financial-credit relations between the PPR and the FRG, and on that basis, the development of concrete economic cooperation, including particularly cooperation between the enterprises of both countries. A fundamental element is the acknowledgement by the FRG that Poland is meeting its obligations. As a result, the FRG government stated that it would renew credit guarantees for the amount of DM 100 million.

[Question] That is not much...

[Answer] Essentially, that amount is not large in comparison with our import needs. The protocol from the meeting of the Mixed Commission, however, says that in light of the future development of economic relations between the PPR and the FRG, the ceiling for credits granted could be raised.

[Question] Then the credit for the amount of DM 100 million should be treated only as an opening?

[Answer] Yes. This is after all clear from the statement by the FRG joint chairman of the Mixed Commission, Minister M. Bangemann. He said that the credit guarantees were proof of confidence in progress in normalizing the socioeconomic situation in our country, and that they should be, as he put it, a "signal" for other Western states.

[Question] Obtaining credits abroad is received by public opinion with mixed feelings. After all, our debt is enormous even without this...

[Answer] We can only repay our debt through exports. On the other hand, in order to increase exports, we must increase investment imports. The state of the raw materials and fuels base in our country is such that during the current 5-year period we are not planning on additional exports of fuels and raw materials. It is thus necessary to concentrate our efforts on exporting manufactured goods. In order to accomplish this, we must conduct a fundamental modernization of our industry. Such a modernization, in turn, requires imports of modern machinery, equipment, and technological solutions. In the final analysis, however, we are obtaining additional exports, and this will serve both the interests of our national economy and of our creditors.

[Question] Will the credit that you mentioned be used for this purpose?

[Answer] Back during my previous visit to the FRG in June 1985, I had the opportunity to conduct talks with the management of leading concerns in that country, such as Krupp, Thyssen, Mannesmann, Kloeckner, Siemens, and Uhde. During the talks, we agreed at that time on a rich range of cooperation -- several dozen undertakings, in whose realization we are jointly interested. Our enterprises subsequently conducted detailed technical and commercial negotiations with the FRG firms in regard to all of these undertakings, which include such areas as the chemical, machinery, and agricultural-food industries (including, among other things, freezers, oil mills, and margarine production lines). I was able to state this personally during talks with representatives of the management of the concerns involved (Krupp, Salzgitter, BASF, and Kloeckner) after the end of the meeting of the Mixed Commission. Several agreements have already been concluded on the basis of so-called commercial credits. The realization of some of the undertakings, however, has been hampered so far by the lack of credit guarantees.

[Question] What do we intend to purchase in the FRG with the guaranteed credit?

[Answer] Appropriate decisions will be made on this issue, taking into account the proposals of our industry and the proposals of the FRG concerns regarding cooperation in the area of concrete modernization and pro-export undertakings, carried out in accordance with the principle of buying technology and equipment on credit, and repaying the credit through deliveries of products from those plants.

[Question] Was there also a discussion during the session of the Mixed Commission of possible participation by FRG firms in enterprises located in Poland?

[Answer] We informed the FRG side about the draft law on companies with foreign participation that is currently being reviewed by the Sejm. This topic aroused a great deal of interest on the part of our partners, who are waiting for the final form of the legal solutions.

[Question] To sum up our conversation, is it your opinion that the 6th session of the Mixed Commission and the talks that you conducted with representatives of political and economic circles in the FRG contributed to the normalization of relations between Poland and the FRG?

[Answer] We want to develop relations with the FRG on the basis of the December 1970 treaty. I discussed this during talks with Federal Chancellor Helmut Kohl, Vice Chancellor and Foreign Minister Hans Dietrich Genscher, Minister of Economy Martin Bangemann, and also representatives of economic circles. I think that at present the conditions have arisen for improving and expanding these relations. The impasse in the financial-credit area has been overcome. Minister M. Bangemann confirmed this in his statement at the press conference, when he said that the possibility of granting a guaranteed credit is an expression of the FRG government's confidence in the socioeconomic situation in our country and the prospects for the development of the Polish economy.

[Interviewer] Thank you for the interview.

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ECONOMY

POLAND

ECONOMISTS REACT TO PARTY PROGRAM DRAFT

Essential Economic Tasks Highlighted

Warsaw TRYBUNA LUDU in Polish 11 Apr 86 p 3

[Article by Prof Zdzislaw Sadowski, president of the Polish Economic Society: "We Can Manage More Efficiently"; first paragraph is TRYBUNA LUDU introduction]

[Text] Among the economists, too, discussions are taking place on the PZPR draft program. The representatives of science say that the economy can be improved only if the present obstacles are removed.

In the PZPR draft program, in accordance with the Ninth Congress resolution, great importance is attached to socializing the planning process and strengthening the independence of enterprises free of bureaucratic restrictions and subject to the dictates of economic realities.

The decided continuation of economic reform is a particularly important matter. We cannot regard reform as one of many tasks which must be accomplished. Reform is the basis for all further transformations. It is a change in the logic of economic operations. We must ask ourselves: Where are we and what must we do to move forward rapidly? How do we reconcile the striving to improve management efficiency with social justice?

In the last few years we have made many basic legal and institutional changes, but unfortunately conditions which would allow us to make full use of these changes are still not present. In our economic practice, methods of operation corresponding to the new rules are accepted very reluctantly. And it is this reluctance which I believe to be the greatest threat. We must quickly apply self-regulating mechanisms which would lead in a short time to more efficient utilization of the labor force, better utilization of raw and other materials, and improvement in effectiveness of investments.

In our economy we often have negative feedback, which must be eliminated. For example, low work productivity and quality results in lack of consumer goods, and this in turn makes it difficult to create the incentive to do better work. The creation of a system of prices which will ensure profitable production without subsidies, the establishment of proper wage ratios, and protection of

the economy against the damaging influence of monopolistic arrangements--these are the most important matters which the party and the government must deal with in removing obstacles in the path of a more efficient management system.

Institute Director Voices Criticism

Warsaw TRYBUNA LUDU in Polish 11 Apr 86 p 3

[Article by Prof Witold Andruszkiewicz, director of the Maritime Institute Ports Authority in Gdansk]

[Text] The draft program is very comprehensive, but in my opinion it has certain shortcomings. The party's support for economic reform is not emphasized sufficiently, and after all, reform is often hampered in exactly those areas in which the authorities have control. I am referring primarily to the necessity of not permitting a reduction of enterprises' independence by parent agencies and intermediate economic organizations.

Nor does the draft contain crucial information on further development, e.g., a statement as to what we shall concentrate investment outlays on. Forthright proposals are also lacking on the recovery of the consumer-goods market, a clear indication as to when and in which areas we can expect an improvement.

It seems to me that the party should more strongly stress the importance of the maritime ports in the development of foreign trade and efficient management, including transport, which, after all, connects the sea to the rest of the country. For example, I cannot understand why enterprises which use raw materials imported by way of the sea and produce goods transported abroad in the same way, are not located on the coast. Why is crude oil and its products transported throughout the entire coast in tank-cars and trucks and not in small tanker-vessels in coastal traffic? In such an important document as the party's program these matters should be given the importance due them.

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CSO: 2600/368

ECONOMY

POLAND

TRADE RELATIONS WITH IRAQ VIEWED

Warsaw RYNKI ZAGRANICZNE in Polish No 5-6, 11 and 14 Jan 86 p 16

[Article by Hanna Dziarska: "Our Business in Iraq"]

[Excerpts] The Future Depends on Crude Oil

Like other exports, Poland, for which Iraq is the most important trading partner among the developing countries, has encountered a problem -- how to maintain itself in the market at this difficult time, especially since this is associated with the need to grant credits. Everyone is aware that after the war ends, investments will proceed on a large scale, and exports of crude oil will solve the financial difficulties.

Polish enterprises have accumulated machines and technical equipment worth more than \$100 million. This is thus a large amount of capital, which has only been partially expended, and which can also be used in the future. Admittedly, only a few of the largest contracts have already been completed -- Polimex's 3 cellular concrete factories in Baghdad, Basrah, and Kerbala, worth \$98 million, calcium plants in Kerbala, worth 142 million Swiss francs, 8 poultry farms worth \$75 million (in a consortium with the West German firm Protinas), the electrification of 6 Baghdad districts, an Elektrim contract worth DM 77.5 million -- but another \$300 million remains to be carried out for 1985-1986 under construction-investment contracts already realized. Among the largest are the construction by Dromex of a highway (a total value of \$310 million) and Budimex's Abu Ghraib land reclamation contract (\$100 million).

The lack of new large orders has been expressed through a decline every year in Polish exports; this is also a typical phenomenon for other capitalist and socialist countries involved in this market. This trend will also continue in the near future. In 1984 Polish exports to Iraq amounted to \$316.6 million, and were 13.2 percent lower than in 1983. For 1985, on the other hand, a further decline of about 18.5 percent has been assumed.

Necessary to Overcome Difficulties

How, then, should one act under present conditions in order to maintain and improve our position in the market? All the recommendations for improving the effectiveness of active contracts and accelerating the rate of the liquidation

of completed ones are relevant -- and not just starting today. A great deal could be said about the difficulties that arise on the side of the Iraqi partner. It is sufficient, however, to recall the new customs law, in effect since 1984, which in addition to introducing many limitations and restrictions, prevents the transfer of equipment between contractors of different firms, and also hampers its transfer between the construction sites of the same exporter. There thus remains, where there are no other solutions (i.e. unprofitable export to Poland), transfer to the Iraqi client, or scrapping. Customs issues are only one problem for the activity of every exporter, although an extremely essential one.

The settlement of contracts is also extremely complicated. It often lasts for years, increasing costs and preventing the receipt of large guarantee sums, which are only released after the entire procedure is finalized. The reason for these delays is the rigid requirements of the local regulations and precise adherence to them, but also, unfortunately, in many cases negligence on the Polish side.

Indirect Exports

Contracts in which we act as subcontractors of Western firms are favorably viewed. A great deal of installation work has been carried out by Polimex-Cekop, electrical work by Elektrim, and construction work by Budimex, while receiving good evaluations from the contractors. Going into another organizational system, adapting oneself to its quality and timeliness requirements, and accounting for every section completed, stimulate and compel fulfillment of the tasks undertaken. Otherwise, there are clauses in the contracts that deal with the possibility of engaging a different subcontractor, at the expense of the previous one, in order to maintain deadlines, quality, etc. No one needs to be persuaded how painful this step would be.

Sales of Individual Machines

The next issue is intensifying exports of individual machines and equipment, which are characterized by considerably greater economic effectiveness than exports of complete installations. Polish power stations and high-tension lines, pumping stations and water purification stations, railcars and railroad rolling stock, construction, road, and earthmoving machines, equipment for the textile industry, helicopters, machine tools, and engines are well known in the Iraqi market. Our list of goods also includes cables, rolled products, chemicals, textiles, clothing, and household articles.

Many items in the assortment traditionally delivered in past years currently do not have any chance of a profit, in connection with major restrictions on imports and the suspension of many investments, and the requirements for financing. Still under way, however, are deliveries of spare parts for previously exported machinery and equipment, and also the performance of installation and maintenance services. There is also a possibility of cooperation with the private sector, to the extent that it can obtain import licenses, and thus it is necessary to keep our finger on the pulse by engaging in active promotion.

Services Good for Everything

Services sell best, and exports of labor are also useful -- both for Western firms and for local ones. Only professionals hired for yearly or monthly periods are sent; there are no longer problems with shipping equipment and materials, transportation, and organizing the construction site, and sometimes the only thing left is the necessity of housing and bringing people to work. Among others, Budimex currently has service contracts in that market -- the so-called 100 engineers (supervision of the installation of the water pipe network in Baghdad, and servicing of the water purification station), servicing of the steel plant in Basra, and operation of the cement plant in Kirkuk.

The comprehensive operation of plants, however, is something more than the work of individual people. A concept of labor organization that ensures obtaining the desired production results is also being sold there, and Iraqi engineering and technical personnel are being trained. On occasion, new technological solutions, the work of the leading world firms, are learned.

The exportation of services is the domain of Polservis, which occupies a very good position among the Polish foreign trade units in the Iraqi market. Employing about 1,300 people, it is carrying out many contracts, which differ a great deal in value, maintaining a continuing trend of increasing exports, and at the same time increasing its share in services provided to Western firms (about 25 percent). It also employs over 100 individual specialists, who are experts in Iraqi institutions and scientific establishments, or Western firms. Unfortunately, new regulations governing the employment of these specialists, which have been in effect since 1984, considerably limit the possibilities of their working abroad, and may interfere with the development of these exports in the future.

Getting staff for contracts is a sore point for many enterprises. After all, it is known that time counts in trade. When professionals are needed almost immediately, the bureaucratic procedure of selection, qualification, and arrangement of the formalities sometimes ruins our chance for the contract. It also happens that instead of the specialist required, a professional from a completely different branch comes, without any knowledge of the language -- someone's cousin or acquaintance. He will certainly come in useful for something or learn something at the Polish construction site, but with the foreign client there is no chance, and our reputation suffers from this.

We have been talking the whole time about exports. The question thus arises of what the other side of the balance of trade is. Oil, obviously. We do not import the goods that other countries buy in Iraq: dates and date products, licorice roots, leather, fertilizers, and sulphur. On the other hand, we imported about 150,000 tons of crude oil in 1984. Steps are under way to link payment for our exports directly to deliveries of oil. Today these possibilities are considerably limited, but when the war ends...?

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CSO: 2600/258

ECONOMY

POLAND

PRIVATE MEAT SALE 'EXPERIMENT' APPRAISED IN CATHOLIC PRESS

Krakow TYGODNIK POWSZECHNY in Polish No 4, 26 Jan 86 p 8

[Article by Ernest Skalski: "Experiment"]

[Text] On New Year's Day, an experiment went into effect, which consists of pig breeders in the Warsaw, Leszno, and Tarnobrzeg provinces being able to sell their farm-slaughtered pork in markets for half a year at prices reached in agreement with the buyers.

Having one person give something to another person for money has already been experimented with by the ancient Phoenicians, with good results. This, however, does not completely discredit the scientific role of the above-mentioned experiment, since in comparison with the Phoenician standard it contains numerous new elements, such as limitation in time (the half year), in area (a farmer near Wyszkiw does not sell his pork in the capital), in those involved (the breeder himself can only trade with an individual customer), and in the object (he can only trade in the meat, and not meat products).

This innovation allows drawing certain practical conclusions at once. Thus, on the basis of this experiment, it will not pay anyone to invest in the development of livestock breeding or means of transportation, and in the improvement of trading conditions. The experiment will not have the characteristics of laboratory cleanness, since inasmuch as today the illegal trade in meat is practically uncontrollable, this is all the more reason why a farmer near Wyszkiw will not let himself be punished for what is done legally by his neighbor near Radzymin, i.e., selling meat in Warsaw. The elimination of intermediaries and processors will result in their acting illegally, or in most of the transactions continuing to take place at the farms, to which customers with cars travel, and not in the markets, to which it will not pay the breeder to come with one pig. And finally, if everything were to be legal, then the customer of a pub will have to come to it with a piece of a raw joint bought in the market, since the restaurateur will not have the right to purchase it.

It is difficult to believe that the creators of the experiment did not foresee these consequences of it, but they are primarily concerned -- as has been

officially stated -- with determining whether this (apparently) free trade is a threat to state purchasing centers and coupon rationing.

Purchasing centers are not attractive to breeders. They pay low prices, and offer a ration for fodder components, which the farmers do not care about, and for coal, which they do care about, but which is difficult to obtain with these rations. Furthermore, the purchasing centers mean arranging one's own transportation, standing in lines, quarreling, and paying bribes. This unattractiveness of the purchasing centers was supposed to be compensated for by its monopoly, but it turned out that it was ineffective, since less than half of the pigs reached them, while most of them ended their lives being farm-slaughtered, very broadly understood.

From the state purchasing centers, the livestock make their way to the state meat industry, 22 units of which are included in the list of the 500 largest enterprises that was prepared by the monthly ZARZADZANIE, while 18 of them are in the top 100. These 22 units includes potentates with fixed assets worth over 10 billion zlotys; all together they have funds amounting to nearly 123 billion zlotys and employ 82,000 people. In 1984, the state paid this business the amount of 39.4 billion zlotys in the form of subsidies. Meanwhile the entire meat industry, including the plants that did not make the list of 500, employed 95,000 people and absorbed about 60 billion zlotys in subsidies. The state budget deficit -- one of the major factors stimulating inflation -- amounted to 68 billion zlotys during the same year, 1984. The abolition of this subsidies would virtually allow balancing the budget. We do not know how large the meat subsidies will be during the current year (1986), but they will certainly figure in a deficit exceeding 150 billion.

The arguments for subsidies and against them have already been presented many times, and the way to eliminate them appears to be raising retail prices, which in turn has been an unchanging source of social and political tensions for many years. The fact remains, however, at home the peasants have sold pork by the cut illegally for 350-400 zlotys, and thus, on the average, at shop prices (more for bacon, and even less for pork joints and ham). Admittedly, the costs of transportation and the market are borne by the buyer, but in addition this price has included the costs of breeding, slaughtering, and division (mostly taken care of by a local professional), and the large profit of the producer. (----) (The 31 July 1981 law On the Control of Publications and Shows, article 2, paragraphs 2 and 6 (DZIENNIK USTAW no. 20, item 99; changed in 1083 DZIENNIK USTAW no. 44, item 204)).

But now let us imagine that we are not experimenting in three provinces, but in all 49. Then, in all likelihood, the purchasing centers will not break down, or in any case not immediately, even though the advantage of free sale over the purchasing centers for the producer is evident. If he gets something like 16-18 thousand per carcass at the purchasing center, he will receive at least 9 thousand more privately for the meat alone, and he will still have the hide, bristles, and other items. This free trade, however, has a very limited capacity. A peasant can only occasionally permit himself to kill a pig, and especially to travel to the city and stand in the market, with the risk that he will not sell everything or that he will have to drop his price. These 10 or 20 thousand per head a couple of times a year are still not an amount that will change anything in the economy. And, most importantly, if a great run on

the markets does begin, then after all the price in them will be reduced and the profitability of this undertaking will turn out to be even more problematical, and its advantage over the purchasing center will decline.

Let us imagine, however, that in our experiment we go to extremes, and as a result of this it ceases to be an experiment and becomes a constant and permanent element. (----) (the 31 July 1981 law On the Control of Publications and Shows, article 2, paragraphs 2 and 6 (DZIENNIK USTAW no. 20, item 99, changed in the 1983 DZIENNIK USTAW, no. 44, item 204)). Article 68 of the Constitution, which guarantees the right to work, and article 19, which says that work is a right, an obligation, and a matter of honor, should only be interpreted as dealing not only with employment in a job established by the socialized economy, but at least to the same extent in a shop created by oneself. On the other hand, articles 17 and 18, which deal with the protection of private and personal property, of course including money, should perhaps be understood as, among other things, the possibility of exchanging it, on the basis of general, constant, and universally accepted legal regulations, which in this case would mainly mean sanitary inspection.

If those concerned believed that their activity in the area of livestock breeding, processing, and trade, ensuring them the basic means of existence, would at most be governed by the changing market, and not by the changing decisions of the administrative authorities, then it would be relatively easy to predict the further course of the experiment, on the basis of rather numerous precedents.

Seeing a continuing profit at a profitable price, the breeders will think about setting up new pigsties, and will look for efficient and productive equipment for them, in order to cope with the increased tasks. They will also do something to obtain more fodder from their farms, or will buy it from those specializing in this field, since it would also be an opportunity for them. A serious breeder will not engage in amateur pig slaughtering on his farm, or stand in the market. Butchers and pork butchers would certainly appear with their own shops, along with sellers, who would show a profit from investing in slaughterhouses. The former or the latter, or still others, would see to the means of transportation, and somehow this interest would operate in accordance with the patterns proven by the centuries.

In the sphere of processing and trade, there could be individual entrepreneurs, companies, or cooperatives, of breeders or consumers, or ones specializing only in this area: everyone who sees this as an opportunity for himself and who has the corresponding funds. In view of the length of the so-called pig cycle, the small scale, and the limited capital-intensiveness of these investments, and the fairly certain profit, one could assume that in two or three years there would be a fairly efficient structure in operation, consisting of small breeding, processing, and trading establishments, provided that not too many obstacles are put in the way of this. It is difficult to determine the extent of the demand in advance, but it would be considerable and would probably satisfy the needs of the market at more or less the coupon price.

The last point is not just a pious wish, but should result from the situation in the market, in which innumerable thousands of suppliers would be active, naturally without being able to monopolize prices and raise them so that the customers will make up for their investments indefinitely. In the market system, an investment must above all fit into the sales price of the product, which is dictated by the market, and it should facilitate lowering costs and obtaining a larger profit, since progress is not something that should cost, but something that should result in earnings. This is rather elementary, but it seems that we no longer remember this.

For let us recall that currently a breeder operating on a minimal scale and with primitive equipment achieves a high rate of profit, receiving more or less the coupon price. If so much more has to be paid in addition to this price for meat sold for coupons, this subsidy is not socially justified by the additional payment for consumption (----) (the 31 July 1981 law On the Control of Publications and Shows, article 2, paragraphs 2 and 6 (DZIENNIK USTAW no. 20, item 99, changed in the 1983 DZIENNIK USTAW no. 44, item 204)). We should therefore watch with calm and even satisfaction how the developing free trade and such breeders will gradually take over the goods from the inefficient purchasing centers, the industry characterized by shortages, and inefficient trade. As a socialized co-owner of this second-rate business, I would rather close it down than continue to put money into it. In order to eliminate upheavals, however, and to avoid drawing out the agony, on the other, it could be agreed that the subsidy would be reduced by one third each year. Statistically speaking, it could be assumed that a large number of the state enterprises, if left to sink or swim, would somehow manage: reduce costs, use the equipment they possess, conclude suitable cooperation contracts, etc. Others will luckily go bankrupt, and their assets and staff will be taken over by the growing cooperative and private units, companies, or other state plants. This, however, will be a matter for the managers or self-management bodies at these plants, and not for the state administration, for which sanitary supervision and the collection of data will remain.

On the other hand, the problem of meat coupons will become irrelevant in the course of this operation, if a sufficient amount of meat is available for purchase at approximately the same price enough of the time.

All of this almost seems a revolution, not an experiment, and one would be afraid to propose something like this, if it were not for the fact that a model similar to the one proposed has been functioning peacefully for a few years in a related area: vegetables, fruit, and flowers. Those who can farm do so, and those who can manage, trade: all three sectors, and perhaps no one will lose out. The most important thing is that as a rule all the products that there are supposed to be are available for purchase for the entire year, including inspected ones and in part frozen ones. It is not the ideal situation, but in comparison with all the other areas of supply it can be considered to be. The crisis has not led to shortages here, and has instead made trade more efficient, since those leaving the socialized economy established many trade shops. The products in this trade perhaps even become relatively cheaper. During the seven years of the crisis, the average nominal wages grew over four times, the price of bread over six times, the price of ordinary sausage by the same amount, and sugar over eight times, while the price of potatoes grew four times, and the price of apples more or less three times.

And who is inconvenienced by such an experiment?

ECONOMY

POLAND

STATISTICAL YEARBOOK CHANGES PROPOSED

Warsaw ZYCIE GOSPODARCZE in Polish No 10, 9 Mar 86 p 11

[Article by M.: "What Kind of Statistical Yearbook, and For Whom?"]

[Text] This publication is highly valued in Poland and abroad, but it is not free of criticism. The average reader of statistical yearbooks is often puzzled about the comparability of the data. He finds a multitude of numbers in the yearbooks, but he frequently cannot find the one he is looking for. Most of the criticisms of this publication come from professionals. One could perhaps have been persuaded of this at the last meeting of the Statistical Scientific Council, at which there was a discussion of the "Yearbook." The basis of the discussion was the extensive study by Dr. Andrzej Karpinski entitled "Assessment of the 1984 Statistical Yearbook."

[Question] What kind of reader should the editors of this publication adjust to?

[Answer] It should be useful -- these are the assumptions -- for both the average user and for professionals. It should serve as a source of basic information for specialists, and at the same time perform the function of a scientific aid in the educational system and higher schools. How can these functions be reconciled? But additional requirements are presented -- that the statistical yearbooks be useful in planning, that they provide enterprises with information about their environment, and, finally, that they provide data to the regional bodies about the so-called regional profiles.

It is not possible for one GUS [Main Statistical Office] publication to perform too many functions well. Most of the participants in the above-mentioned discussion supported limited presentation in the yearbooks of the so-called regional profiles. Prof Miroslaw Opallo, however, had a different view. In his opinion, the statistical yearbooks should also be very useful in planning work, and also cover local (regional) profiles more extensively.

[Question] What problems should be presented more extensively in the yearbooks?

[Answer] It has been proposed that there be a more extensive presentation of data describing the level of the social productivity of labor in Poland

compared to other countries, including CEMA. Many of the participants in the discussion spoke in favor of the need to expand the international part of the yearbooks. This would obviously require not only changes in the editorial board of the yearbooks, but also, above all, a corresponding orientation of the work, research, and other publications of the GUS. The calls for expanding the presentation of data on the import-intensiveness, materials-intensiveness, and energy-intensiveness of the economy were similar in nature. Also advocated was a broader presentation of data on the cost of living and the population's living conditions. Among other things, it was proposed that the research on living conditions research on the time spent waiting for a car, an apartment, a telephone, a train, a divorce, etc. (a proposal by Prof. Andrzej Tymowski).

Also advocated was a more extensive presentation by the yearbooks of data on the level and growth rate of the cost of living in other countries. The calls for expanding the international comparisons also applied to the basic aggregate economic categories: total production and national income. In order to expand the possibilities for comparisons of national income in Poland and in the capitalist countries, it should be calculated what Poland's national income would be like if it were to include nonmaterial services. Many comments were made about the prices used to calculate these aggregate amounts. Calculating the total product in constant prices would make it possible to assess the influence of material costs on the national income. In general, prices and their influence on individual figures presents in the yearbooks are a particularly important problem. It would be useful to include in the presentation a balance of changes in prices, which would take into account their changes in all socioeconomic sectors.

Other Proposals

It was proposed that the so-called sector-branch profiles not be expanded in the yearbooks. On the other hand, there should be more information about economic profiles: what part of production is allocated for exports, for consumption, material-technical supply, and investments. Information on foreign debt should be expanded. It was proposed that the level of debt and changes in it be presented in different currencies, depending on the currencies in which we are indebted. This would allow a better awareness of changes in debt associated with changes in the exchange rates for foreign currencies. It was proposed that the statistics on the housing economy present data not only on the average number of residents per room (or per apartment), but also on the level and on changes in the structure of this index (the number of residents per room or given area in the most and least crowded apartments).

There were also many other more detailed requests presented. The chairman of the Statistical Scientific Council, Prof Igor Timofiejuk, proposed while summarizing this discussion that it be continued by specialized groups in order to specify further and define more precisely the means of adopting the requests presented.

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CSO: 2600/337

ECONOMY

POLAND

POLONIA FIRMS IN SMALL-SCALE INDUSTRY DESCRIBED

Warsaw ZYCIE GOSPODARCZE in Polish No 11, 16 Mar 86 p 11

[Article by U.Z.: "With Foreign Capital"]

[Text] As it appears from a report by the Polish-Polonian Industrial-Trade Chamber, "Inter-Polcom," about 700 foreign small-scale manufacturing firms are currently operating in Poland. The first three appeared in 1977, in 1981 there were already 78, in 1982 259, in 1983 491, and at the end of 1984, 633. At the end of 1984 and the beginning of 1985, the rate of the increase in the number of these enterprises slowed, which is considered to be a result of a more critical attitude toward applications for the issue of permits to found an enterprise, and increased requirements for the initiators (among other things, an increase in the value of the foreign exchange investment contribution).

Most of the enterprises, over 60 percent of them, are concentrated in seven provinces: Warsaw, Poznan, Lodz, Krakow, Katowice, Gdansk, and Skierniewice. The total turnover of the foreign small-scale manufacturing enterprises was 0.4 percent of the turnover of the economy as a whole in 1984, and 9.8 percent of the turnover in small-scale manufacturing. In 1984 the total value of the turnover was 73.8 billion zloty, and in the first half of 1985, 50.6 billion zloty. Employment in the foreign enterprises grew from 12.2 thousand people in 1982 to 42.6 thousand in 1984, and at the end of last year it was close to the level of 48 thousand. The amount of production per employee in the enterprises that have reached full operation currently amounts to about 2.5 million zloty, and the average pay (in the first half of last year) is 23 thousand zloty. In the structure of the turnover of these enterprises, the chief place is occupied by consumer products (especially clothing, chemical, leather, and food products), which provide about 70 percent of the turnover, followed by products and services of a non-consumer nature (over 20 percent), while about 4 percent of the turnover is currently represented by exports.

The amendment to the law regulating the operation of firms with foreign capital in Poland, which was made in July 1983, made a 3-year exemption from income tax for new firms conditional upon an obligation to invest at least a third of the profits; it is felt that this yielded positive results. At the same time, however, it introduced the obligation to resell 50 percent of the net earnings from exports to the state treasury. This, meanwhile, caused a

stagnation in exports, following a period of rapid growth during the years 1982-1984.

In 1984, foreign small-scale manufacturing enterprises invested 5.6 billion zloty, or \$6.8 billion, in Poland (1.5 billion zloty in 1982, and 3.5 billion zloty in 1983). Exports to the countries in payments area II grew from \$8.3 million in 1982 to \$23 million in 1984, but their share in total turnover declined from 4.4 percent in 1982 to 3.9 percent in 1984. In the first half of last year, exports amounted to \$10.5 billion, and it is estimated that their value for that year will not exceed \$25 million. The previous growth rate for these exports is thus decreasing significantly, and their share in total turnover is declining even more. Similar trends also affect exports to the socialist countries. In 1983 they amounted to 1.4 million rubles, in 1984 12.3 million rubles, and in the first half of 1985, 5.4 million rubles. The exports of foreign small-scale manufacturing enterprises are dominated by food products and wood products; recently there has also been an increase in the proportion of commodities for export in clothing, knitted goods, and fur goods. Currently about 40 percent of the foreign firms operating in Poland are exporting.

An increase in the requirements set for the initiators of foreign small-scale manufacturing enterprises was also introduced by the next amendment to the regulations governing this issue, on 31 January 1985. The amount of the founding deposit was raised to \$50,000, and the minimum investment contribution was also raised to \$50,000. The purpose of this was to limit the influx of speculative capital, and to attract serious businessmen. In the opinion of "Inter-Polcom," these regulations have demonstrated their effectiveness and suitability. Admittedly, the influx of new capital is small, but the capital currently invested in Poland is considered to be solid and reliable. Many investments have reached a value of over \$200,000, and they include branches such as the production of high-quality medical equipment, environmental protection, and electronics.

During the period of the greatest market difficulties, the foreign enterprises concentrated on the production of consumer goods. Back in 1984, of the 633 enterprises in operation, 199 engaged in the production of clothing, 145 produced chemical products, 85 produced leather goods, and 80 produced articles made of wood. The ratio between consumer and supply production in this group of enterprises is still 7:1. Consequently, efforts are currently being made, also within the framework of "Inter-Polcom," to change this ratio in favor of supply production. This primarily has to do with production for health care and agriculture, the use of scrap raw materials, the production of energy-conserving equipment, anti-import production, and also export production with high effectiveness and a high degree of processing.

Foreign enterprises have purchased and are using 12 foreign licenses and 18 Polish patents not previously used, and they have registered 14 patents of their own. They are also using many foreign formulas and technologies. Currently 17 enterprises are producing medical supplies, 32 firms are involved in electronics, cooperating mainly with plants in the key industry, and 80 enterprises are active in construction.

Most of the firms are enterprises employing up to 200 people. There are about 600 of them. Five enterprises employ 400-500 people, and three employ more than 500.

Since the emergence of the first foreign small-scale manufacturing enterprises, 30 owners have resigned from engaging in economic activity. These were mainly small enterprises employing 20-25 workers, with a small investment contribution. At the same time, operating permits have been withdrawn from 18 enterprises. The permits were withdrawn from the enterprises that violated the terms of their contracts, e.g. by engaging in production that exceeded the permit or ordering all of the production from subcontractors, as well as from those that violated Polish legal regulations.

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CSO: 2600/337

30 May 1986

ECONOMY

POLAND

RULES FOR DETERMINING HIGH PRICE VIOLATIONS

Warsaw ZYCIE GOSPODARCZE in Polish No 10, 9 Mar 86 p 11

[Article by M. B.: "Flagrantly High Price"]

[Text] The minister of finance, in a 31 December 1985 decree, defined the rules for characterizing a price for goods produced by units of the socialized economy as flagrantly high. The price of a product is considered to be flagrantly high if it exceeds the price currently in use for the same product by 30 percent, or for a similar product, by 50 percent.

In case of doubts as to whether the product sold is the same or a similar one, or as to what the difference in quality is, an opinion is sought from the Polish Committee for Standardization, Measures, and Quality, or from organizational units authorized by the Committee. If the seller stands by the flagrantly high price, the minister of finance may issue a decision obligating him to reduce the price or to use the regulated price. The period during which this price is mandatory cannot be longer than a year.

The introduction of the concept of a flagrantly high price in the amended price law creates a possibility for administrative intervention in the event that a producer fundamentally abuses his privileges by setting a price at an excessively high level.

9909

CSO: 2600/337

ECONOMY

POLAND

SMALL-SCALE MANUFACTURING PROGRAM FOR 1986-1990 DRAFTED

Warsaw RZECZPOSPOLITA in Polish 10 Apr 86 p 2

[Text] The need to increase small-scale manufacturing's share in domestic industry was observed as early as a couple of years ago. The joint position of the PZPR CC Politburo and the SD CC Presidium in December 1983 attests to this. Production figures in the past 3 years have even better than had been expected. Small-scale manufacturing's share in industry's overall production rose from 8.4 percent in 1982 to 11 percent in 1985. Sales increased by 44 percent (the National Socioeconomic Plan projected a 32.3 percent increase). Consumer goods deliveries rose 21 percent, calculated in 1982 prices. But in citing these optimistic figures we should not ignore the negative aspects--the stagnation in services and minimal export, amounting to only 4 percent of the value of production and services.

Now, when work is underway on a new long-term plan, small-scale producers have an opportunity to make a greater contribution to the national economy. But in order to do this, a course of action must be developed. A draft program covering the years 1986-1990 has been prepared by the Ministry of Domestic Trade and Services. This program was discussed at the first meeting this term (9 April) of the Small-Scale Manufacturing Council, which reports to the chairman of the Council of Ministers. The meeting was attended by Jozef Koziol, who reported that Prof Edward Kowalczyk has resigned as council chairman. Professor Kowalczyk was given a letter from the premier thanking him for his work on the council. The premier then entrusted the chairmanship of the Small-Scale Manufacturing Council to Prof Marian Struzycki, well known for his civic and cooperative activities.

Minister Jerzy Jozwiak presented the second version of the draft program for the development of small-scale manufacturing. In this document it is envisaged that socialized small-scale manufacturing will increase its production 58.6 percent during the current 5-year plan, which is more than twice the growth that was projected in the draft of the 5-year plan. However, crafts should increase turnovers 46 percent in 5 years. All in all, towards the end of the 5-year period small scale manufacturers should produce 15 percent of everything that industry, as a whole, produces.

The program's authors, bearing in mind the shortage of labor, are counting on the smaller communities to become more active--the towns and villages. The

authors also considered the raw-materials shortages, counting primarily on those sectors where raw materials are not an obstacle, e.g., the mining and food industries. The economic and financial details still remain to be worked out, particularly the matter of finding the funds for development. But the advocates of small-scale manufacture are hoping that the cost-effectiveness analysis prepared for the entire program will be a convincing argument for making the right decisions.

The council also assessed the implementation of the 8 August 1983 resolution concerning the improvement of residential services during 1983-1985. It was determined that the regression in services, observed earlier, has been slowed down, but stability and expansion is still a very rare phenomenon. The Small-Scale Manufacturing Council announced that it would take measures aimed at improving these services and expanding the range of such services as repair of radio and television equipment, and laundry, dry cleaning and tailoring services.

9295

CSO: 2600/368

ECONOMY

POLAND

R&D RESULTS IN MINING, ENERGY SECTOR DISCUSSED

Warsaw ZYCIE WARSZAWY in Polish 11 Apr 86 p 2

[Text] Considering that as much as half of the growth in national income may be achieved through thrift and the application of technical and organizational innovations, our primary task is to find an effective way of putting these innovations into practice. Those were the words spoken during a meeting of efficiency experts from mines and power plants with the heads of the Ministry of Mining and Energy on 10 April in Katowice.

Last year 21,344 invention designs were submitted to this ministry--over 12 percent more than a year ago. This is a lot, but still, as was said, less than in the 1970's. Statistically speaking, two inventions were sent to the Patent Office daily. The number of efficiency-improvement suggestions put into practice is also growing; in 1985, 15 percent more of them were used than the previous year. But, as was pointed out, too much time still elapses between the submission of an idea and its application, and the consultation process on these proposals is still too long.

A detailed analysis shows that in 1982 one zloty spent on inventions brought 8.5 zlotys in return, and last year this return had already risen to 11.2 zlotys. Every invention design used brought results valued at over a million and a half zlotys. Several of the most interesting innovations should be described.

In the Piast mine, it was suggested that the water pumped out of the underground be used for municipal purposes. This will bring a gain of 38 million zlotys. Modernization of the coal cutter-loader in the Sosnowiec mine will bring 36 million zlotys. A new method of exploiting deposits in the Wieczorek mine is to bring gains amounting to 460 million zlotys. Modernization of the coal retention reservoirs in the Jankowice mine is worth 100 million zlotys.

In the Kozienice power plant, domestic parts were adapted to a special, imported turbine-driven pump, which brought over 2,000 million zlotys in gains. In the Polaniec power plant, one of the boilers was modernized, and over 40 million zlotys was thus earned. In the pumped-storage power plant in Zarnowiec, special seals were installed in the vanes of the guide apparatus, which brought gains amounting to 17 million zlotys.

The list of innovations is long, just as is the list of financial gains which the actions of people with an open mind brought to mining and energy. The meeting, which was conducted by Gen Czeslaw Piotrowski, minister of mining and energy, was attended also by Jerzy Romanik and the deputy chairman of the Trade Unions [legal successor to Solidarity], Stefan Koziaczy.

9295

CSO: 2600/368

30 May 1986

ECONOMY

POLAND

PERSONNEL CHANGES IN FOREIGN TRADE SECTOR

Budimex Director

Warsaw RYNKI ZAGRANICZNE in Polish No 4, 9 Jan 86 p 9

[Text] Grzegorz Tuderek, born 10 March 1938, has been appointed to the position of chief director of the Budimex Company.

He has a higher technical education, specializing in surface construction. He began his professional career in 1961. He has been employed in the foreign trade sector since 1974. He recently worked as the director of an office in the Budimex Company.

The former chief director of the Budimex Company, Michal Siera, has retired.

On 1 December 1985, Witold Gorski, born 26 March 1948 in Gdansk, was appointed to the position of chief director of the Spedrapid Company, Ltd. in Gdynia.

He is a graduate of the University of Gdansk. He began his professional career in 1973. He has been employed in the foreign trade sector since 1985. He recently worked as a deputy chief of the PZPR Provincial Committee department in Gdansk.

On 16 December 1985, Andrzej Sobczyk, born 1 January 1937 in Radom, was appointed to the position of chief director of the Varimex PTHZ [Polish foreign trade company].

He has a higher economic education. He began his professional career in 1959 in the foreign trade sector. He recently worked as the deputy director of a department in the Ministry of Foreign Trade.

Director of C. Hartwig-Gdynia PSM

Warsaw RYNKI ZAGRANICZNE in Polish No 153, 21 Dec 85 p 8

[Text] On 8 November 1985, Leszek Olszewski, born 1 January 1951 in Gdansk, was appointed to the position of chief director of the C. Hartwig-Gdynia PSM.

He is a graduate of the University of Gdansk. He began his professional career in 1974 in the foreign trade ministry. He has recently worked in the position of director of the port forwarding office at the C. Hartwig-Gdynia PSM.

On 11 November 1985, Ludwik Drecki, born 19 May 1929 in Warsaw, was appointed to the position of deputy director of the Department of Commodity Policy in the Ministry of Foreign Trade.

He is a graduate of the SGPiS [Main School for Planning and Statistics]. He began his professional career in 1951. He has been employed in the foreign trade ministry since 1980. He recently worked as a commercial attache in the Office of the Commercial Counselor at the Polish Embassy in Budapest.

On 16 November 1985, Tadeusz Szeliga, born 30 July 1931 in the town of Choloje, was appointed to the position of commercial attache in the Office of the Commercial Counselor at the Polish Embassy in Moscow.

He has a higher technical education. He began his professional career in 1946. He has been employed in the foreign trade ministry since 1972. He recently worked as a division chief in the Ministry of Foreign Trade.

9909

CSO: 2600/258

ECONOMY

POLAND

BRIEFS

CEMENT SHORTAGE--There is a shortage of cement, even though the production capacity of the cement industry exceeds 22 million tons per year, i.e., close to 4 million tons more than the total required for the economy and for export, as planned in 1985. The basic reason for this is technological backwardness. About 60 percent of the cement is produced by the so-called "wet" method, which consumes 1.5 times more energy than the "dry" method. Twenty percent of the cement comes from cement factories heated by fuel oil instead of coal, which, with reduced fuel deliveries (for example, 400,000 tons less coal), has also caused a marked decline in production. Last year only 15.7 million tons of cement were produced. [Text] [Warsaw PRZEGLAD KATOLICKI in Polish No 10, 9 Mar 86 p 4] 9909

CSO: 2600/337

ECONOMY

ROMANIA

EFFORTS TO INCREASE EXPORTS IN CAR INDUSTRY

Bucharest REVISTA ECONOMICA in Romanian 28 Feb 86 pp 8,9

[Article by Gheorghe Nicolae, C. Munteanu, and M. Stoica: "Adapting Technical and Commercial Offers to the Requirements of International Markets"]

[Text] The establishment and development of the Romanian car industry has contributed to significantly altering the structure of production for the domestic market and to intensifying our country's participation in international economic exchanges of such items of a high technological complexity, through which we can better capitalize on our material and energy resources. As it developed, the Romanian car industry gradually assumed the task of meeting domestic demand. While the number of vehicles for the domestic market increased more than 3.6 times over in the 1965-84 period, reliance on imports gradually decreased. At the same time, the production capacities built and the new capacities planned permit the production of such items for export, a fact that increases the role of car sales in foreign markets for recouping the social efforts involved in producing them.

The development of the Romanian car industry has contributed not just to gradually reducing our reliance on imports for satisfying domestic demand, but also to steadily increasing exports. Between its establishment and 1984, this industrial subbranch delivered almost 400,000 vehicles for export, while in the entire 1960-84 period our country imported about 193,000 cars. In other words, the overall number of car imports was numerically recouped, and a considerable part of the currency expenditures generated by the establishment of this modern industrial sector were recovered.

While in the 1965-84 period the production of cars increased almost 34 times over, car exports increased more than 190 times. The development of the Romanian car industry considerably contributed to amending the structure of our country's exports in favor of products involving complex technology, higher raw material processing, and original scientific design.

The markets for Romanian cars differed considerably according to the two major categories of vehicles (passenger and utility cars). In 1984, 19.3 percent of the total number of cars exported were utilities, and the export quota for this type of vehicles was 67.5 percent. Since the manufacturing enterprise won international appreciation as one of the large producers and exporters, the

share of exports in the entire production increased from only 9 percent in 1965, to approximately one third in 1975 and to about two thirds in 1984. This development is mainly due to the high performance of the Romania's ARO jeep-type car, demonstrated at prestigious international competitions (The African Endurance Rally, the Algerian Rally, the Belgian Woods Rally, and others).

The development and diversification of the passenger car industry contributed to channeling an increasing share of its production to export (from 31.6 percent in 1975 to 47 percent in 1984). Within the overall 1984 car exports, passenger cars made up 80.7 percent, as compared to 68.2 percent in 1980.

The increase in passenger car exports, particularly in the past 5 years (from 14,700 cars in 1980 to almost 50,400 in 1984, i.e., 3.4 times more) is primarily explained by the establishment and consolidation of large foreign markets, such as: the GDR, People's Republic of Hungary, People's Republic of Poland, Greece, Colombia, etc. Similarly, Romanian cars succeeded in penetrating traditional markets in industrialized countries such as England, Italy, Canada, Denmark, and Australia.

Secondly, the Romanian offer of passenger cars continued to steadily diversify. Having begun with one model (Dacia 1300 standard in 1970), by 1984 we were manufacturing two families of cars in eight versions. To that we must add annual models and a large number of variations adapted to various foreign market requirements.

Thirdly, the performance of Romanian passenger cars was highlighted by our participation, especially after 1977, in many international competitions. Thus, Dacia cars came in first in the 1,300 cc [cubic centimeters] class in 25 such competitions: 4 times in the Balkan championship and the Tour of Europe in teams, 5 times in rallies organized in Bulgaria (Herbos and the Golden Sands), twice at the Yu Rally (Yugoslavia), at the Arwayler Rally in the FRG (1979), the Gunaydin Rally in Turkey (1984), and others. However, the greatest success was recorded by the three Dacia cars that took the first three places for the 1,300 cc class in the group of big series cars, and the second place in the general tournament of plant teams at the Portugal rally (5-10 March 1983), which was one of the stages of the World Rally Championship (the third most difficult contest).

Innovation as the Main Marketing Factor

In order to utilize the production capacities with maximum economic efficiency, efforts must be intensified to promote Romania's car exports. It is estimated that, in the conditions of increasing production by 1990 to 345,000-365,000 cars, exports can increase several times over, while the share of exports in the overall number of cars manufactured in our country is expected to steadily increase in the same period.

The achievement of these objectives directly depends on enhancing the competitiveness of Romanian cars, a goal that requires not merely performances on a par with the large international producers, but also great flexibility in diversifying and adapting the structure of offers to increasingly specialized

demands, as well as varied marketing solutions in accordance with international trends in this area. In point of fact, we must specify that in the first years of the current decade the international competition increased primarily because the production became concentrated in several strongly industrialized capitalist countries (in 1982, the United States, Japan, Canada, and the major west European manufacturers were together producing some 87 percent of all cars, not counting the production of their branches in other parts of the world), which determined the major foreign trade currents (the above mentioned countries exported 46 percent of their production and imported about 40 percent) and sales conditions in foreign markets.

There is no doubt that raising the technical and quality level of Romanian cars, simultaneously with implementing the diversification program by putting into production the standardized ranges (which will make it possible to export, for example, Dacia cars in four cylinder versions between 1,185 cc and 1,580 cc, including a Diesel version), designing new basic types and models of cars, creating new generations of car bodies, etc., will constitute essential factors of enhancing our competitiveness, even if they materialize in higher foreign market prices.

The efforts of the Romanian researchers have been and continue to be directed at manufacturing subassemblies with state-of-the-art performance, which can be achieved by extensively utilizing standard elements. Along this line we want to cite several impressive results, such as: "Engine set of the standard family (spark ignition engine, 1,578 cc)," "Engine set of the standard family (Diesel engine, 1,578 cc)," and "New type of dashboard and central bracket for Dacia cars."

The contribution of Romanian scientific-technical design to modernizing the car industry is also illustrated by the innovations and inventions movement of the Pitesti car enterprise, as can be seen from the following table.

Year	Number of inventions and innovations	Economic efficiency lei/year
1965	60	850,061
1970	66	2,293,364
1975	71	3,885,427
1980	78	15,215,000
1984	85	16,440,000

Transfer of Technology as a Major Factor of Competitiveness

Marketing studies show that price increases for cars in international markets are predicated by the rapid introduction in production of research aimed at designing new models with higher performances, such as:

--extensive use of microelectronics in the manufacture of cars, which contributes to optimizing their efficient utilization, reducing diagnosis costs and cutting back on damage implicitly, and increasing the car's viability and safety, etc.;

--technological improvement of the manufacture of conventional engine sets (with piston), mainly aimed at reducing fuel consumption, and the adoption of construction solutions permitting the utilization of alternative fuels;

--improved aerodynamic characteristics of new models, without affecting the degree of comfort and convenience, since, according to estimations, reducing the frontal coefficient of aerodynamic resistance by 30 percent on an average car leads to a 20 percent average reduction of specific consumption on highways and roads, etc. All these technological improvements can lead to significant user savings.

Along this line we want to mention that, according to the results of a poll conducted in France, the majority of customers questioned expressed willingness to pay more for a car if the additional investment can be recouped by running savings.

Naturally, promoting Romanian car exports and increasing their economic efficiency also depends on the adoption of marketing forms in foreign markets compatible not only with the scale of domestic production, but also with the specific conditions of the international trade in such commodities. The following aspects must be emphasized in this connection:

--In view of the technological changes that have occurred in the car industry, we note international trends to combine production strategies with marketing and service. On the one hand, this is aimed at securing stable deliveries not only through contracts on finished products, but also on assembly lines or, in particular, parts and components (for example, 34 percent of the exports of the car industries in developed capitalist countries are made up of parts and components). It can be stated that none of the cars manufactured in those countries is achieved without extensive production sharing with other firms. On the other hand, the major car manufacturers are increasingly interested in realizing cash returns and, implicitly, in profits obtained through sales, service, repairs, maintenance, refurbishing, etc.

--The diversification of marketing forms consists primarily of creating and developing one's own car sales networks in other countries, as has been the case with the large manufacturing firms (Japanese firms have about 8,500 outlets in the U.S. market, and FRG firms have over 7,500 outlets), through which the manufacturer can keep abreast of the demands of the respective markets and use that information to correctly guide their production. Secondly, because of the rapid increase in the cost of entering and maintaining various segments of the market, there is a trend to intensify international cooperation; this is true of the large companies, too (for example, the production and sales branches of Peugeot and Fiat in Argentina have merged and have expanded their cooperation throughout the South American countries; Peugeot and Talbot have a joint marketing network both in France and overseas, etc.).

--As a result of improved basic technologies, which are reflected in higher performances, there is a trend to extend the duration of general warranty as a means of boosting sales in foreign markets (all the traditional firms award at

least 1 year and 20,000 km, while some allow unlimited mileage under warranty). At the same time, special warranties are granted for subassemblies and spare parts: some firms guarantee at least 6 years of body wear against corrosion, 2-3 years of engine wear, and 6-12 months for various spare parts regardless of whether the car is still under general warranty, etc.

In keeping with the continually changing sales conditions prevailing in foreign markets, Romanian car exports can be promoted only on the basis of a package of converging measures, structured in accordance with the guidelines established by the 13th RCP Congress on raising the technical and quality level of our products and intensifying international economic cooperation.

12782

CSO:2700/128

ECONOMY

ROMANIA

NEED TO REDUCE BOTTLENECKS IN FOUNDRY OPERATIONS

Bucharest REVISTA ECONOMICA in Romanian 26 Feb 86 pp 13,14

[Article by Vasile Murar: "Comprehensive Approach as Efficiency Condition for Technological Modernization"]

[Text] Theoretical plans normally recognize the fact that the success of a technological modernization drive--and even more so the success of upgrading actions--require a broader view of the factors that influence the respective process, whether they be the organization of technological floors, labor organization, or the securing of appropriately qualified manpower. This reality becomes even more urgent when technological improvements are examined not in an isolated manner, but are projected to the entire complex of activities carried out in an enterprise.

However, it emerges that this principle is not always properly implemented, a fact that affects efficiency as a whole. In our view, this happens when the intrinsic potential of a certain new product of technology is exaggerated, on the one hand, and on the other hand, because of a certain methodological distortion that tends to place technical performance and utilization performance on an equal footing, although the latter is influenced by a series of other factors. If we were to further generalize, we would say that this kind of situation pleads for the idea that technics and technology are not independent of the real production conditions under which they are carried out.

In current activities, this problem is perceived as an effective dysfunction, known in the jargon as a "bottleneck." However, while this term usually refers to the technological process as such, its meaning may also be extended to labor organization aspects, auxiliary activities, and so forth. Through an investigation of the hot-rolling sections of several machine-building enterprises (23 August, Bucharest; Trucks, Brasov; Republica, Reghin; Cast Parts, Cimpina; Fine Mechanics, Sinaia; and Heavy Machinery Combine, Cluj-Napoca. The above enterprises have carried out or are in the process of carrying out technological modernization projects), we undertook to diagnose and classify this type of lack of correlation with a view to clarifying its impact on labor productivity.

To once again use the popular terminology, in many of the foundries of the above mentioned enterprises we noted "bottlenecks" caused by the difference between the productive capacities of the equipment used at certain technological stages. Depending on the position of the modernized equipment within the technological flow (which normally increases its production capacity), disruptions may emerge at subsequent or preceding stages, with serious effects on the general labor productivity. For example, at the Republica metallurgical plant of Reghin, the "shaping" plant has a far larger capacity than the induction furnace; while the shaping plant (with an actual capacity of 60 shapes per hour) could process 4.7 tons of liquid metal an hour for casting drums and 6.43 tons for casting another important part (hubs), the furnace has a capacity of only 1.5 tons an hour.

There are also situations in which the same fragmented outlook of modernization (through automation and mechanization) of technological flows, instead of providing real solutions and increasing labor productivity, contributes only to shifting the bottleneck. For example, prior to the modernization, the slower phase was the casting (using the open pit casting method). In the absence of increased capacity at the preceding or subsequent phases, the automation of this phase shifts the difficulties to other stages of the production process. (In the situation studied, the "preparation," "mixing," coring, or cleaning phases are potential "bottlenecks").

One of the particularly important aspects concerning the general need to increase production quality is the coordination of the rate of production and the capacity (and efficiency) of quality control and its technical-material basis. Currently, however, at the foundries studied the methods and means of control are not longer suited to the level of technical equipment of the production, hourly output, and rate of manufacture. Post-factum quality control is still widely practiced (at the preparation stage through laboratory analysis of the chemical composition of the cast metal) or through spot checking after the lot has been completely finished. In view of the fact that some parts require a more stringent quality control--since the performance of an entire piece of equipment may depend on them--it is necessary to apply preventive and exhaustive control, which cannot be achieved through traditional methods. Such an investment in improving control apparatus may, on the surface, seem secondary. But this view is not justified, because increased labor productivity in the technological process may be undermined by a high percentage of producer discards or utilization difficulties. (In order to solve this problem, the specialists of the Brasov trucks enterprise have designed the organization of in-process quality control. With the aid of this line of automated control, the unit can rapidly supervise the degree of modulization of 100 percent of the liquid metal prepared, automatically verify its hardness 100 percent, effect strict and non-destructive control of the "safety" parts, and eliminate the discards. This method is expected to save 13,440 hours/man/year, and at the same time, to raise the technical and qualitative level of the production of cast parts.)

The need for a broad overview and coordinated actions in promoting technical progress also appears in correlating the actual manufacturing process with a series of service activities (sometimes incorrectly described as auxiliary). In-plant transportation is a good example in this respect, because the

automation of certain phases of the casting process requires new concepts concerning the volume, speed, and even reorganization of the access ways to the respective shops. In the course of our investigation we noted that lack of coordination between the actual transportation capacity of the foundries and the production capacity of certain technological phases--which was increased as a result of modernization--considerably contributed (up to 50 percent) to the stoppage of installations that were being appropriately supplied with energy, fuel, and raw materials.

But perhaps the most significant lack of correlation occurs between the technical level and the supply of manpower. Naturally, the problem is more complex and less obvious from the viewpoint of quantity estimation, and in the case of foundries it also features specific aspects. The more general issue is to secure highly qualified manpower well in time, particularly for new or extensively modernized foundries. Some of the obstacles that emerge in practice are caused by the fact that this type of profession has a smaller appeal for young people; in this situation, cadres recruitment is either below requirements, or is done by "negative selection."

In our opinion, the situation prevailing in almost all the foundries--and noted in the course of our investigation--requires a different approach to the problems, which should yield important results in the area of general modernization actions. The labor force and its stability can be ensured at two organizational levels, which are essentially not mutually exclusive: by automating primarily those production sections in which a manpower shortage is expected (for example, the stage of cleaning the parts) on the one hand, and on the other hand by raising the work environment to the level of other production sections. More concretely, we are referring to eliminating harmful agents (gasses, dust, noise) by giving priority to investments in anti-pollution equipment; simultaneously with facilitating the work itself, such an action can contribute to raising the social prestige of such professions and implicitly, to ensuring labor force and its stability.

The issues we brought up do not exhaust the problem, but are, in our view, sufficiently relevant to highlight the need for an overall concept of technological modernization and innovation. First of all, this manner of evaluation permits the consideration of all the factors that have a bearing on the technological potential as such, the cost of "amortizing" them, and the general efficiency of modernization. On the other hand, by approaching the problem from this angle we can decide the order of priority of investment and organizational efforts, within which the technological factor may not always be the most important (a better labor organization can increase productivity at a low cost and permit the intensive utilization of the existing fixed assets). Naturally, such an analysis is more complex, requires interdisciplinary efforts, and more time. Judiciously planned, such analysis efforts are, however, justified by their contribution to economic efficiency.

12782

CSO:2700/128

ECONOMY

ROMANIA

INCREASED LABOR PRODUCTIVITY IN COAL INDUSTRY NEEDED

Bucharest REVISTA ECONOMICA in Romanian 28 Feb 86 pp 3,5

[Article by Dr. Alexandru Mihailescu and Cazimir Ionescu: "Increased Labor Productivity as an Intensive Means of Increasing Coal Production"]

[Text] The urgent need to rapidly increase the production and regular delivery of coal to customers, in conditions of great efficiency, makes it necessary to enhance labor productivity in this important sector of the national economy. There are many ways of attaining this objective. What are the experiences and what actions are being taken along this line by mining enterprises?

Among all the mining units, the Jiu Valley Combine plays a particular role in supplying the economy with the necessary quantities of coking and power plant coal. Although the production tasks allotted to the collective of working people in the combine enterprises are almost 25 percent higher than last year's achievements, In January and February of this year they have been fulfilled and even exceeded, thus overfulfilling the plan by 30,000 tons and 16,000 tons respectively, and the production obtained was efficiently delivered to the Mintia and Paroseni power plants. The best results were obtained by the miners of Lonea, Uricani, Vulcan, Dilja, and Paroseni, who have been consistently exceeding their daily plan tasks.

A detailed analysis of the factors that have contributed to these results highlights the fact that, in the great majority of cases, they were based on the resolute implementation of the measures featured in the program drafted for the combine to increase labor productivity and expand mechanization, while reducing the consumption of electrical power by 10 percent and material consumption by close to 15 percent. The more marked increase in labor productivity at the level of both the combine as a whole and each enterprise is the main intensive means of completely fulfilling the planned production of coal and of achieving a high economic efficiency. At the same time, past experience and the studies and analyses made at the combine have highlighted new elements that can and must be taken into account in assessing the increase in labor productivity and particularly in establishing the technical-organizational measures required to attain the levels planned for this index.

A primary aspect consists of varying rates of increase of labor productivity in accordance with the level at which it is calculated (coal face, mine, post,

person, etc.). For example, over a period of 15 years which made the object of the analysis, labor productivity increased by approximately 40 percent per post, while the increase at the level of mining exploitation was of only 10 percent. Far from being a mere matter of method, this evolution reflects varying objective possibilities, as well as the concept of actions indicated in order to increase labor productivity. At the same time, they highlight the fact that, by expanding the equipment available and the degree of mechanization of operations, opportunities were created for increasing labor productivity at the cutting face, but not throughout the mining units to the same extent. The evolution of labor productivity recorded at the Paroseni mining enterprise is conclusive along this line: the enterprise rapidly enhanced the degree of work mechanization and noted a great difference between the rates of growth of labor productivity in the entire unit and at the cutting faces. This led to cuts in the number of auxiliary personnel employed in certain mining activities, and to simultaneous personnel increases in directly productive sectors and in the maintenance of mining operations, equipment, and installations. From this viewpoint, we believe that within the framework of the complex mechanization of mining operations, greater attention should be paid to maximizing the overall effect on the entire unit, and not just to partial effects, so that economic efficiency can be brought up to the level of the planned quotas.

Another problem that must be more efficiently resolved at the combine is that of achieving an appropriate correlation between production dynamics and the dynamics of fixed assets. In the past 10 years, the technical equipment provided increased three times more rapidly than did labor productivity. The increases in the supply of technical equipment differed from one mining unit to another, depending on a number of considerations, mainly the potential of the natural conditions (number of layers, thickness and inclination of the layers, fault density, etc.), which differ from one mine to another. The fact that labor productivity did not keep up with the increases in technical equipment was due, aside from the effect of natural factors, to certain shortcomings concerning particularly the suitability of certain equipment, assemblies, and subassemblies, and supplies of spare parts and various materials. In consequence thereof, some Jiu Valley lignite units failed to maintain an appropriate correlation between increases in technical supplies and in labor productivity.

Proceeding from the implications of this situation and from the need to ensure a complete balance between the two economic indexes at the level of the combine and of individual mining units, specific measures were established as of last year, such as: intensifying geological work designed to more precisely ascertain the resources and natural conditions of deposits; implementing new and highly efficient technologies; using equipment with improved technical and economic characteristics, and particularly with a far greater viability.

Based on their studies on the measures recommended for separating the dirt from the cutting face and depositing it underground, the combine specialists came to the conclusion that in order to increase the net productivity in the extraction of lignite, production activities must be more markedly geared on certain implications and restrictions imposed on the respective technology, namely: implications for the stability of mining operations, due to the effect

of shifting rocks or layers caused by making underground deposit spaces for the dirt; implications for future mining operations as a result of making these underground dirt deposits. The underground separation and storage of dirt has positive effects on the energy efficiency of lignite extraction and on the quality of the coal brought up, at the same time, however, it has the reverse impact on labor productivity. This means that the measures taken in the area of coal extraction and storage must under no circumstance be allowed to slow down the rate of growth of labor productivity.

Naturally, increases in labor productivity are mainly determined by the quality of the manpower and its utilization. Along this line, the main issue highlighted by the analysis is the still pronounced instability of the labor force, which has undesirable consequences on raising labor productivity more rapidly. A no less important role in this respect is played by the fact that the majority of the working personnel employed come from other parts of the country (approximately 60 percent of the personnel comes from outside the respective county and the neighboring counties). Thus, upon being hired, many of the working personnel have a very sketchy idea of the work involved and difficulties in becoming acclimatized to the new social and work environment, thus generating and exacerbating the fluctuation phenomenon. Similarly, attracting labor force from other areas involves increased investment in social facilities (hostels, housing, schools, etc.).

In order to ensure a larger number of local personnel and secure a stable labor force, both the mining combine and each individual mining enterprise must show greater care for the personnel and must efficiently meet requirements concerning the training and allocation of new cadres to teams manned by experienced miners and to jobs suited to the skills of each new worker.

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CSO:2700/128

ROMANIA

BRIEFS

TRAFFIC IN CONSTANTA PORT--Presently, when only a few days remain before the beginning of the new five-year plan, the working men at the Constanta Port have increased efforts in order to satisfy transportation needs of the domestic economy in an integral and exemplary way. Through their untiring work over 2,200 ships were handled in the port, 1,900 of which were on schedule or ahead of schedule, and the port traffic exceeded 20 million tons, **including approximately 8 million for exports.** It should be mentioned that to this port traffic one should also add the 30 million tons handled by the fleet and Railroad Directorate in the Constanta port. [Bucharest LUPTA CFR in Romanian 27 Dec 85 p 3]

/9716

CSO: 2700/143

ECONOMY

YUGOSLAVIA

PROFESSOR ESTIMATES NUMBERS IN CLASS STRUCTURE

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 21 Apr 86 p 6

[Excerpt] Slaven Letica, professor of the Medical Faculty in Zagreb, otherwise an economist with a multidisciplinary approach, formulated the following sketch of the structure of Yugoslav society using all possible empirical data:

Category	Numbers of People
Elite	16,000
Functionaries	15,000
Managers	154,000
White-Collar Employees	1,050,000
Workers	3,900,000
Those in private enterprise	224,000
Farmers	2,232,000
Day laborers	480,000
Employees in religious institutions	13,000
The poor	1,115,000
(included in this the number of pensioners receiving welfare payments on inadequate pensions)	320,000

The following breakdown was made within the "Elite" category: politicians 2,600, scientists 200, professionals 1,500, those in show business and sports 500, diplomats 2,000, the military 400, those with money 8,000 to 10,000, the religious elite 100 to 200, and those with businesses in the artisan sector.

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CSO: 2800/246

ECONOMY

YUGOSLAVIA

ECONOMIC CHAMBER DISCUSSES DECLINING ECONOMY, JOINT PROGRAMS

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 29 Apr 86 pp 1, 2

[Excerpts] Total economic results at the beginning of this year are not satisfactory, exports are falling, and business people again noted that little has been done to change the general situation. This was the impression left by discussions about economic trends at the beginning of the year held by the executive council of the Yugoslav Economic Chamber (PKJ). Petrasin Petrasinovic, director of the Bureau for Market Research, pointed to the contradictory economic results in the first 4 months of this year, estimating that imbalance and instability will continue. Now these are hidden by the fact that in the first quarter of 1986 there was a production increase, a significant increase in consumption, and the market was satisfactorily supplied. Inflation at the same time was increasing to 81 percent and uncollected accounts receivable were increasing, as were losses, interest rates, and the rate-of-exchange differences. The foreign exchange market is not functioning which makes our exports uncompetitive.

Market indicators at the beginning of the second quarter, he continued, show that the positive trends are temporary and unfavorable trends are increasing, which is logical considering that the high production growth rate in the first quarter was largely the result of an artificially created market.

Noting that the poor results of the first 4 months have brought complete uncertainty to economic activity in the next months, Petrasinovic stressed that "the desired stabilization changes have still not been made and the vulnerable economic potential and material trends offer no basis for continuing the positive tendencies in the next months."

The incentive to export has noticeably weakened, he said, because higher income can be earned on the domestic than on the foreign market. Exports to the convertible currency area are especially endangered because of the decline of the dollar, while the fall in prices is increasingly apparent also on the clearing account market.

Hence, from year to year ever more goods and services are being exported for less hard currency and all this leads to stagnation in development.

Noting that real personal incomes per worker which had fallen in the last 5 years were increased 2.3 percent last year, Petrasinovic added that the same time investment activity had increased. In this regard, it is of concern that investment (26,706 projects are under construction) in very small projects is dominant and that financing largely relies on inflationary sources. Everyone wants new programs, the restructuring of capacities; and the economy is increasingly faced with the problem of how to stop the technological lag and to increase employment. In contrast to these desires, the investment potential [for repayment] (the debts for capital investments in process are large) is exceptionally modest, so repayment of funds used for new construction is very questionable.

Petrasinovic said, in pointing to the causes for increased domestic consumption, that budgetary and joint expenditures had increased markedly, and the planned budgetary increase of 76 percent represented proclamation of a general hike in domestic consumption and prices. According to a survey of the Bureau for Market Research, a further increase in domestic demand cannot be expected because there is no coverage for this in production and export.

Inflation, as an expression of the general impotence of economic policy, exceeded 80 percent at the beginning of April, while the developed countries are successfully reducing inflation... even with "shock therapy" methods. Surveys of the Bureau for Market Research indicate that in the next months prices will increase by an average of 5 percent per month. This calls for emergency measures to limit demand and price disparity, to improve the efficiency of economic operation, to unburden the economy, etc. Efforts to raise economic efficiency by real exchange-rate and interest-rate policies have not brought results. Measures are therefore needed which will increase the volume and quality of exports and production on a lasting basis. More modernization and specialization of capacities [is needed]... especially of those programs which are part of modern development.

Radojko Rilipovic, secretary of the Yugoslav Economic Chamber's coordinating council for economic relations with foreign countries, noted that exports were lagging \$300 million behind the plan and if this continues exports will be a billion dollars less in relation to the balance of payments. The basic reasons for such a situation are the slow-down in imports of raw materials and producer goods needed for producing goods for export and this is closely tied to the non-functioning of the foreign exchange and foreign trade system and high inflation.

He said that the PKJ has made proposals several times to the FEC (Federal Executive Council) and federal organs but received no reaction from them. It is necessary to take measures outside of the PKJ in order for us to solve these export problems. He then added that the policy on the real exchange rate of the dinar is being carried on outside of the PKJ (in spite of contrary assertions) ...and this should not be the case.

In regard to the status of preparing joint [across republic borders] programs and plans for development, it was said that they are developing remarkably well. Up to now, after some straying and complications, three projects are completed: the Jugo-Zastava, the rubber industry, and technical [tehnicki] gas industry. Some 10 additional programs are almost completed and another 10 will be elaborated by the end of the year.

The executive council of the PKJ assessed its activity up to now as positive, considering the general impotence in implementing the stabilization program, the declining motivation for planning in the economy, the gross shortcomings in the Yugoslav Social Plan, the lack of common methodology for calculating the effects of joint plans, the lack of coordination of plan regulations between republics and provinces, the slow adaptation of business banks to implement the new banking law...

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CSO: 2800/246

ECONOMY

YUGOSLAVIA

CONSTRUCTION FIRMS ABROAD HAVE PAYMENTS PROBLEMS

Belgrade BORBA in Serbo-Croatian 24 Apr 86 p 5

[Excerpt] The \$2.1 billion earned last year by our construction firms working abroad... [placed them] in 9th place among world exporters of construction work. Perhaps up to now such work has been a gold mine for some. For the masses of almost 30,000 workers it has not been, and in the light of the latest Libyan events, any discussion of this kind seems irrelevant.

From the above earnings it is easy to conclude that this branch is significant and it is necessary to support its export orientation. But opposite claims can in fact be made: ...the fact that work projects are carried out for barter trade, in this case, oil and its payment, is one of the problems.

For at least 5 percent of such construction work those who commission the work pay in oil. Sometimes it is also given to the construction firms as an advance. The deliveries are made regularly to our refineries. At the same time money from the users of the oil should flow into the accounts of the construction firms. According to the latest conclusions of the FEC (Federal Executive Council) issued almost 2 months ago, those who are receiving the oil deliveries are obligated to pay for this (in dinars) to the enterprise which earned it at least 1 month from the day the oil is loaded at the port of the country where the construction firm is working.

No one has held to this [agreement]. In 6 months no payments have been made. The latest news is that seven construction work organizations sent a claim to the National Bank and the FEC for \$2.5 million and 3.7 billion dinars. These sums include interest for 1983, 1984, and for 9 months of 1985. [As a result of the payments problem] our construction firms have been forced to take short-term credits at interest rates of 40 to 60 percent in dinars and 10 to 12 percent in hard currency.

Certain construction firms are reducing the volume of their work. Why must they work and then wait for their earnings, why is their money flowing into the income of refineries, despite the FEC conclusions?

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CSO: 2800/246

POLITICS

CZECHOSLOVAKIA

CSSR FOREIGN MINISTER WRITES ON FOREIGN POLICY

AU280503 Sofia OTECHESTVEN FRONT in Bulgarian 24 Mar 86 pp 1, 3

[Statement by Bohuslav Chnoupek, CSSR minister of foreign affairs: "Our Common Ideal Is Peace"--no date given]

[Text] Prague, through Novosti specially for OTECHESTVEN FRONT--Socialist Czechoslovakia is conducting an active peace-loving foreign policy in the international arena and is confirming the Leninist principle of peaceful co-existence between states with a different social order. By its peace initiatives it is contributing to the increase of the authority of world socialism and is fighting to strengthen the solidarity with the fraternal states in the spirit of socialist internationalism. Czechoslovakia is acting in the international arena creatively and with initiative, coordinating its efforts with the fraternal Warsaw Pact member-countries, which for more than 3 decades have been a trusty shield for peace and socialism.

Czechoslovak foreign policy relies on the labor achievements of the people, and approaches all aspects of international life from principled class positions.

The past 5-year-plan period has been a complex one in international relations. The tension in certain areas has reached the highest level since the time of World War II. The reactionary militarist circles of the United States and NATO continue to conduct a policy from a position of strength directed at undermining the equilibrium that has been established.

We, the citizens of socialist Czechoslovakia, a country in the very center of Europe, are especially sensitive to any changes whatever in this policy. We are closely watching the West's attempts to destabilize the situation in Europe, to interfere in the internal affairs of individual states, to foment ideological and psychological war, to deploy new American nuclear missiles on our continent in the direct vicinity of the western borders of the CSSR, and to make new displays of revanchism.

The Soviet peace initiatives which were set out in Mikhail Gorbachev's declaration of 15 January this year and which were further developed at the 27th CPSU Congress are the central axis for solving the most important issues concerning the whole of mankind, the issue of peace and war, detente or

confrontation, development or militarization. This is a plan to free mankind from nuclear weapons by the end of this century. The decree of the Presidium of the CPCZ Central Committee and the CSSR government of 17 January 1986 stresses that Czechoslovakia is ready to fight actively for the implementation of the package of peace initiatives proposed by the USSR. Our countries have common goals and tasks, and our common ideal is peace.

The basis of our foreign policy has been and remains friendship and cooperation with the socialist countries. We draw strength and assurance from the Leninist foreign policy of the Soviet Union. Gustav Husak, general secretary of the CPCZ Central Committee, constantly emphasizes that for us the friendship with the Soviet Union is not only a revolutionary legacy, but also a living reality of today, a source of the confidence with which we are drawing up plans and outlining prospects for further development.

Czechoslovakia is and remains an inseparable link in the military-political defensive alliance of the socialist states--the Warsaw Pact. This pact reliably guarantees collective security, the integrity of the frontiers of the fraternal states, and a quiet peaceful life for our peoples. We are consistently striving to implement the proposals and initiatives adopted at the session of the supreme organs of the Warsaw Pact. We are actively propagandizing the most important principles contained in the Prague Political Declaration adopted in January 1983. This document has not lost its topical significance even today. It contains the proposal of the Warsaw Pact member-countries to the NATO countries for the conclusion of a Treaty for the Mutual Nonuse of Military Force and for maintaining peaceful relations.

Over the period between our party's 16th and 17th Congresses we have activated, expanded, and deepened our relations with the developing, nonaligned, neutral, and certain capitalist states. With many of them we are carrying on a constructive and, in a number of cases, continuing political dialogue. The main aim of Czechoslovak foreign policy is and will continue to be in the future to struggle for the strengthening of universal peace. Peace is the chief condition for carrying out the constructive plans which the 17th CPCZ Congress will set before our peoples. For this reason the foreign policy of the CSSR will intensify its efforts to implement the Soviet peace initiatives.

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CSO: 2200/110

POLITICS

CZECHOSLOVAKIA

HAVEL'S NEW PLAY: DISSIDENTS UNDER TYRANNY

Paris LE MONDE in French 3 Apr 86 p 3

[Text] Vaclav Havel's latest play, "Largo Desolato," is currently playing at the Theatre La Bruyere. Its author, a Czechoslovakian dramatist whose plays are staged all over the world these days, did not attend the Paris premiere, nor has he ever seen a performance of any of his plays over a span of 15 or more years. The reason? He is also a dissident, one of the founders of the Charter 77 citizen activist group that has made a name for itself with 9 years of tireless activity on behalf of civil and human rights in Czechoslovakia. That commitment has already cost the playwright 4 and 1/2 years in prison. He is relentlessly harassed by the political police, who periodically suggest that he leave the country--but without a return visa. Vaclav Havel, however, has no desire to emigrate.

The hero of "Largo Desolato" is an antihero, a philosopher whose work unfortunately does not please the totalitarian government under which he lives. He fully expects to be arrested, but at the same time his intimates--intellectuals, "workers," friends--are also expecting something from him: some sensational act, some great coup that they would like to be as earth-shaking and soul-stirring as they themselves are insignificant, selfish, and craven.

A Succession of Defeats

In Soviet-style dictatorships, dissidence is essentially a personal matter, a decision depending primarily on the individual's habit of mind. This is why most dissidents are recruited from the ranks of the intellectuals, from those strata of society that are most aware of being deprived of their civil rights. More than once, the ideas that spark this intellectual resistance have spread to the masses of the people and delivered the critical push that sets revolutions rolling. Dissidence, though, is in most cases a one-man, solitary, non-violent combat whose outcome is hopelessly predictable: arrest, prison, labor camp, the psychiatric hospital, exile or, in the best of cases, loss of civil rights, and sanctions of indefinite duration that strike just as hard at the families of those who "think otherwise." There is a paradoxical reaction to this ostracism. One could say that the children of dissidents today form a new generation of outlaws ready to take over from their elders, but who promise to wield influence among their peers which their parents never managed to achieve.

It is a fact that, in all so-called socialist regimes, activists put hors de combat, silenced, or expelled are replaced by new men, no less resolute--although this replacement of the fallen takes on, according to the particular country, varying degrees of scope, drive, and pace.

There is something of the miraculous in all this, when you reflect that the first generation of dissidents--much like the very regimes it sought to challenge--met with nothing but defeats. Not one of the manifestations of dissent we have cited succeeded in bringing about lasting and decisive change, much less in demolishing the regime in power. People's rebellions were crushed by Soviet tanks or by the local militia. Intellectual challenge was reduced to silence or at least neutralized by the ubiquitous political police, by draconian rulings from the courts, by economic and social pressures, or simply by the lopsidedness of the contest.

In the Soviet Union, where relatively substantial intellectual dissent was active during the sixties and seventies, little is heard about it these days, aside from the few thousand refuzniks whose sole desire is to emigrate--except from one sick man, Academician Andrey Sakharov--from his devoted wife and from their handful of friends in Moscow. The KGB has shipped out or liquidated all the rest. The few of the vanquished whom the world still remembers are exchanged--as Anatoly Sharansky was recently. Things are pretty much the same in the RDA: The workers work and do not grumble, the dissident intellectuals have emigrated, the students have no time for anything but their studies. While it is true that dissidence in Poland is still very much alive and enjoys the sympathy of almost the entire population, it is also undeniable that the society's revolutionary energy has been at least temporarily sapped since Solidarity was banned. Opposition in Bulgaria is all but nonexistent. In Romania, dissidents are either gagged or forced to flee to the West. The unrest that surfaces sporadically in Yugoslavia stems more from ethnic conflicts than from a demand for civil liberties. As for Czechoslovakia, Charter 77 is still out of reach for a society entangled in the machinery of the "parallel economy" (the black market, moonlighting jobs). It is a somber picture, indeed....

And yet! The record would be incomplete were we to leave out the encouraging bits. First of all is the fact that the neo-Stalinist system has lost, once and for all, the support of the working masses as well as that of the intelligentsia--not only in the portion of Europe under Communist domination, but also in almost every country in the world. Stalinism is nothing more to the younger generation than a bogeyman or a figure of fun. Communist intellectuals, only yesterday the pillars of Stalinism, can be counted today on the fingers of one hand, and are hardly to be seen anymore except in the Western democracies. Their glorious future, so often promised, seems to have been postponed sine die. To make up for that, they have dramatically laid bare the bloody record of the system that claimed to be freeing mankind from material as well as moral poverty.

Nobility

In a word, we all know the "emperor" has no clothes on and, even though many are still forced to march in step behind the banner of the regime, nobody believes in it anymore, everybody does his best to cheat and deceive it, and

waits only to catch the ball on the first bounce. Human and civil rights, denied to whole nations, are now on the agenda of every international conference. The credit for that belongs, in large part, to today's dissidents who are so sorely tried.

Yet another undeniable fact, perhaps the most important, is that the dissident community in the Soviet bloc countries speaks in such noble and lofty language as to sound quite exceptional in our cynical and materialist fin-de-siecle. Its voice is at once an example and a challenge.

Dissidence, underground today but tomorrow the vanguard of the uprising, seeks neither to be pitied nor to be idealized. It is enough not to be forgotten, that its importance not be made light of, but rather to be supported and upheld by all possible means, in the political and diplomatic arena, at the cultural level, and of course as part of the most elementary civil solidarity. Everything we can do in this direction will be in our own interest.... Because, as Vaclav Havel wrote in one of his essays: "Dissidence in the Soviet bloc is undergoing an experience specific to the modern era, the experience of living on the outermost reef of a dehumanized government. In this capacity, dissidence has not only the opportunity, but also the duty to ponder this experience, to make testimony of it and to pass it on to those who are fortunate enough to have been spared it."

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CSO: 2900/3

POLITICS

POLAND

MESSNER ATTENDS PARTY TALKS WITH KATOWICE MINERS

LD112339 Warsaw PAP in English 1810 GMT 11 Apr 86

[Text] Warsaw, 11 April -- Preparations for the debates of the 10th PUWP Congress in the basic party cells in work establishments comprise individual talks with PUWP members and candidate-members.

Zbigniew Messner attended today party talks with miners of the "Katowice" colliery.

Miners displayed concern over the efficacy in combating signs of social ills and declared their own participation in fighting negative phenomena in their milieu. They asked the premier about a number of details concerning the government's work and displayed interest in the cadres policy of the party, in possibilities to more efficiently shape the lay world outlook in society, particularly among the young, in the state-church relations and other topics. Using the example of their own colliery, the miners pointed to the possibilities of savings in the economy. A number of comments and opinions concerned various aspects of environmental protection.

The talks were conducted in a serious though direct atmosphere, said Zbigniew Messner. Miners formulated their judgements and opinions on various subjects concerning the works, region and the whole country in a mature way.

The issues raised by them are a reflection of the public views and attitudes. They proved the correctness of the aim of the party dialogue.

Messner met today with socio-political activists of the [word indistinct] office in Katowice and with delegates to a pre-congress conference of the office's party organization.

Participants in the meeting spoke about the tasks that PUWP and the government put before state administration before the 10th PUWP Congress. It was stressed that it is necessary to smoothly realize the population's motions and postulates.

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CSO: 2020/122

POLITICS

POLAND

BRIEFS

JOURNALISTS ON PRE-CONGRESS ROLE--The Main Administration of the Association of Journalists of the Polish People's Republic met in a plenary session on 20 February 1986 to discuss the role and tasks of the journalist profession in preparation for the 10th PZPR Congress. An especially aggressive attitude on the part of the mass media is necessary at this time, it was noted. Journalists must utilize all means at their disposal to sincerely and creatively--without ranting and cheap propaganda--fulfill their obligations to inform, publicize and initiate discussions on those issues of most importance to the entire nation. The party program draft and the experiences of the last 5 years provide the guidelines for this task. Bogdan Jachacz, director of the Department of Propaganda of the PZPR CC, took part in the discussion. [Text] [Warsaw TRYBUNA LUDU in Polish 21 Feb 86 p 2] /12232

PLANNING-STATISTICS SCHOOL PARTY MEETING--Several dozen non-party students took part in an open meeting of the PZPR organization at the Warsaw Main School of Planning and Statistics. Mieczyslaw F. Rakowski, Sejm deputy marshall, took part in a lively discussion over the course of several hours on national issues, prior to the 10th Party Congress. The topics discussed were: the role of the intelligentsia in socialism, state policy toward the intelligentsia, economic reform, the Polish debt, quality of life and of work, the higher education amendments, the supervisory role of the Sejm, the range and activities of the consultative meetings, and the expectations associated with the upcoming 10th Party Congress. [Text] [Warsaw TRYBUNA LUDU in Polish 21 Feb 86 p 2] /12232

'ZYCIE PARTII' EDITORIAL MEETING--A meeting of the editorial staff of the PZPR CC organ, ZYCIE PARTII, was held on 22 Feb 86. The meeting called to evaluate editorial activities in 1985 and also the publication's plans in the period before the 10th Party Congress, which were introduced by the editor-in-chief, Igor Lopatynski. The progress of the publication in improving form and content was ascertained as was its responsiveness to the needs of the primary party organizations and party activists in particular. The need for a further improvement of the publication's performance was noted, especially as a platform to exchange experiences and as an aid in party work. The following persons took part in the discussion: Antoni Wrobel, Adolf Dobieszewski, Zbigniew Smigielski, Czeslaw Rowinski, Antoni Banaszak, Jerzy Jaskiernia. The session was chaired by Wladslaw Jonkisz, PZPR CC member and member of the Council of State, who underscored the fact that the Editorial Council gave a positive evaluation and approval of the publication's performance emphasizing, however, the need to take to heart with the criticisms and recommendations put forth during the session. as regards the overall improvement of ZYCIE PARTII. [Text] [Warsaw TRYBUNA LUDU in Polish 24 Feb 86 p 2] /12232

YOUTH IN PRE-CONGRESS CAMPAIGN--The PZPR CC Party Studies Center sponsored a seminar for the chairmen of the Youth Commissions of the Voivodship Committees. Also present were the directors of the sections for youth affairs. The seminar dealt with the task of the party in its work with youth in the period leading up to the 10th Party Congress. W. Swirgon, PZPR CC Secretary, and others met with the participants. [Text] [Warsaw TRYBUNA LUDU in Polish 26 Feb 86 p2] /12232

TEACHING 'HISTORICAL CONSCIOUSNESS' EMPHASIZED--Another in a series of meetings of the PZPR CC Group for Historical Education Affairs took place on 27 February 1986. Professor Marian Orzechowski, candidate member of the PZPR CC Politburo, chaired the meeting. The participants discussed the main problems encountered in the formation of a historical consciousness in Polish society. It was noted that positive results in historical education, especially among the younger generation, demand firm opposition to the distortion of history--most particularly of recent history--by forces unfriendly to the Polish People's Republic and to socialism. Historical consciousness on the part of society continues to be an arena of political and ideological confrontation. [Text] [Warsaw TRYBUNA LUDU in Polish 28 Feb 86 p 2] /12232

SOVIET PEDAGOGICAL COOPERATION--A delegation from the Soviet Ministry of Education visited Poland 24-28 February 1986. They had discussions with the Department of Science and Higher Education and learned of the work of the higher pedagogical schools in Opole and Drakow. A cooperation agreement was signed on 28 February 1986 between the Polish Ministry of Science and Higher Education and the Soviet Ministry of Education for the current year. The agreement calls for direct cooperation of the pedagogical schools of both nations. The Soviet Ministry of Education will send 30 lecturers to Polish schools, who specialize in Russian language and literature (among other things), in order to help prepare and improve the qualifications of Polish instructors of the Russian language and of textbooks and other educational aids in teaching Russian. [Text] [Warsaw TRYBUNA LUDU in Polish 1-2 Mar 86 p 2] /12232

RAKOWSKI, GDANSK AKTIV MEET--The aktiv of social and cultural workers of the tri-city area met on 28 February 1986 in Gdansk to discuss important socio-political and economic problems in the context of the international situation. The meeting was chaired by candidate member of the PZPR CC Politburo, first secretary of the PZPR Gdansk Voivodship Committee, Stanislaw Bejger, deputy marshall of the Sejm, Mieczyslaw F. Rakowski, underscored the fundamental importance of the 27th CPSU Congress and its far-reaching influence on the process of building an atmosphere conducive to peace and international cooperation. In describing the major national issues and in response to questions posed to him, Rakowski touched upon the following: payment of the national foreign debt and its influence on the development of the Polish economy; the church-state relationship; initiation of economic reforms; the changes at universities and the role of the intelligentsia in Polish national life. [Text] [Warsaw TRYBUNA LUDU in Polish 1-2 Mar 86 p 2] /12232

POLISH-CUBAN COOPERATION--A cooperative plan between the Ministries of Foreign Affairs of Poland and Cuba for the years 1986-1990 was signed on 28 February 1986. J. Kinast, deputy minister, signed for the Polish side, and M. Mora Diaz, ambassador, signed for the Cubans. [Text] [Warsaw TRYBUNA LUDU in Polish 1-2 Mar 86 p 2] /12232

FSO YOUTH ACTIVISTS--On 2 March 1986 a meeting was held of the founders of the Union of Socialist Polish Youth [ZSMP], established 10 years ago, at the FSO in Warsaw. The meeting was called on the initiative of the ZSMP Factory Administration of FSO. The participants of the meeting accepted the appeal directed to all Polish youth, which states in part: "In desiring to honor the work of the 10th PZPR Congress and the 10th anniversary of the ZSMP, we call for a universal and well-organized participation on the part of all of us in the actions of the ZSMP on 26 April 1986." Jerze Szmajdziński, chairman of the Main Administration of ZSMP, and representatives of FSO's party directory and organization, took part in the meeting. On Sunday [2 March 1986] ZSMP members of the Zeran factory and their guests put in several hours of volunteer production work. [Text] [Warsaw RZECZPOSPOLITA in Polish 3 Mar 86 p 2] /12232

BOYSCOUT INSTRUCTOR CONFERENCE--A Central Instructors Conference of the Union of Polish Boy Scouts [ZHP] was held in Olesnica from 28 February to 2 March 1986. Delegates from all centers of ZHP instruction cadres discussed problems associated with ideological-educational activities among children and youth. Attention was focused on the foundations for the future as outlined in the PZPR Program Draft, and also on the issues which the scout instructors wish to contribute to the declaration on youth. The following issues were given primary attention: the future of the national educational system, the concept of educating youth for society's needs, the need to inculcate youth with an understanding of the new phase of scientific-technological progress, and the implementation of youth's idea of life at the turn of the 20th-21st centuries. Leszek Miller, director of the Department for Youth Affairs, Physical Culture and Tourism of the PZPR CC, took part in the conference summations. [Text] [Warsaw TRYBUNA LUDU in Polish 3 Mar 86 p 2] /12232

GRUNWALD COMMITTEE MEETS--On 3 March 1986, in Olsztyn, a session of the Grunwald Citizens Committee met to discuss the tourist management of the Grunwald battlefield site and access routes. The meeting emphasized the need to properly care for the site of the historic battle, to disseminate and strengthen the Grunwald idea in society, especially among youth. Kazimierz Barcikowski, deputy chairman of the Council of State and chairman of the National Grunwald Committee, took part in the session. [Text] [Warsaw TRYBUNA LUDU in Polish 4 Mar 86 p 9] /12232

MINERS, MINISTRY RATIFY COOPERATION--The ministry of Metallurgy and Machine Industry and the Federation of Miners Trade Unions signed rules of cooperation on 3 March 1986. This federation presently comprises together 435,000 members from over 300 trade organizations. The agreement specified the range and principles of cooperation of the department with the unionists, and simultaneously ratified the already established forms of cooperation of certain unions with the administration of the Ministry of Metallurgy and Machine Industry. [Text] [Warsaw TRYBUNA LUDU in Polish 4 Mar 86 p 9] /12232

SOVIET CULTURE DISSEMINATION--With the idea of popularizing Soviet culture, the Krakow administration of the Polish-Soviet Friendship Society has decided to open a "repertoire bank," which will collect the best and newest suggestions from a variety of artistic fields in the USSR; among others, dramatic and musical works, folklore exhibits and the like. [Text] [Warsaw TRYBUNA LUDU in Polish 4 Mar 86 p 9] /12232

SZALAJDA TASS STATEMENT--Moscow [PAP]--Deputy Premier Zbigniew Szalajda, in a statement to TASS, underscored the innovative approach of the 27th CSU Congress to the task of accelerating the development of socialism. He also expressed the conviction that the documents endorsed at the congress will become a good foundation for defining the course of closer ties between Poland and the Soviet Union. [Text] [Warsaw TRYBUNA LUDU in Polish 4 Mar 86 p 7] /12232

PRISON CONDITIONS, NUMBERS--A press conference held on 10 March 1986 in Warsaw was devoted to the conditions in penal institutions. First deputy director of Penal Institutions, Colonel Stanislaw Wrona, stated that the Social Penitentiary Councils are now active in all prisons. Last year almost 11,500 inmates took advantage of passes. As was noted, at the end of January 1986 there were 113,000 persons incarcerated in penal institutions, including sentenced prisoners and those under temporary arrest. There are 159 persons currently under arrest and in prison for offenses of a non-criminal nature. [Text] [Warsaw TRYBUNA LUDU in Polish 11 Mar 86 p 5] /12232

TRADE UNION MEETING--A reports-election conference which concluded the 3-year term of office for the officers of the Self-Managing Independent Trade Union of Workers at the Marcel Nowotki Iron and Steelworks in Ostrowiec Swietokrzyski (Kielce Voivodship) was held on 11 March 1986. In attendance were 262 delegates representing almost 11,000 members of the union. Alfred Miodowicz, OPZZ chairman, took part in the conference and dealt with many problems brought up in the course of the debate. [Text] [Warsaw TRYBUNA LUDU in Polish 12 Mar 86 p 2] /12232

KRAKOW PZPR COMMITTEE MEETING--The Krakow PZPR Committee conducted its final meeting of the party aktiv of the region. The meeting was concerned with small-scale manufacturing--including the Polonia firms--in terms of disciplining their activities and their compliance with legal norms. During the meeting special emphasis was placed on the need to more effectively combat speculation, wastefulness, theft of public property and undeniable cases of unjust and inordinate self-enrichment. [Text] [Warsaw TRYBUNA LUDU in Polish 12 Mar 86 p 2] /12232

PZPR CC INTERNAL AFFAIRS MEETING--A meeting of the PZPR CC Internal Affairs Commission was held to discuss changes in the party's membership figures and class composition. The discussion underscored the fact that the PZPR is a party of the masses, numbering 2,115,000 members and candidate members. Its primary organizations are active in all social and professional circles. Party ranks are steadily increasing. Last year the party accepted 63,000 candidate members, of which 51.5 percent were workers and peasants. At least half were young people under age 29. The commission discussed the account of its activities during the period from the Ninth Extraordinary PZPR Congress. Tadeusz Porebski, CC Secretary and Politburo member, chaired the discussion. Also taking part were: J. Bluszkowski, K. Rokoszewski, Z. Draminski, M. Pabian, Cz. Borowski, A. Kwiatkowski, Z. Daniluk, M. Lubczynski, J. Dabrowski, M. Wysocki, M. Kaminski. [Text] [Warsaw ZYCIE WARSZAWY in Polish 13 Mar 86 p 2] /12232

AMBASSADOR TO BULGARIA--Deputy chairman of the Council of State, Kazimierz Barcikowski, met with the newly-named ambassador of the PPR to Bulgaria, Wieslaw Bek, on 13 March 1986. [Text] [Warsaw TRYBUNA LUDU in Polish 14 Mar 86 p 2] /12232

HIGHER EDUCATION DISCUSSIONS--The Ministry of Science and Higher Education met with the newly-elected Main Council of Science and Higher Education on 13 March 1986. They discussed the scientific-research activities of the universities for the years 1986-1990. The minister of science and higher education, Professor Benon Miskiewicz, presented the current issues under consideration at the ministry, while the chairman of the council described the main areas of the council's work. Both sides underscored the importance of close cooperation between the ministry and the council in effectively implementing the resolutions of the 24th Plenum of the PZPR CC and the 3rd Congress of Polish Science. [Text] [Warsaw TRYBUNA LUDU in Polish 14 Mar 86 p 2] /12232

RATIFICATION DOCUMENTS EXCHANGED--On 13 March 1986, the Ministry of Foreign Affairs was the site of an exchange of documents ratifying the agreement between Poland and the Soviet Union regarding the Baltic Sea. The agreement provides for the demarcation of territorial waters, economic zones, zones for deep sea and continental shelf fishing in the Baltic Sea, signed in Moscow on 17 July 1985. The act of exchange was executed by the deputy minister of foreign affairs, Henryk Jaroszek and the Soviet ambassador, Vladimir Brovikov. The agreement is valid from the date of exchange of the ratified documents. [Text] [Warsaw TRYBUNA LUDU in Polish 14 Mar 86 p 2] /12232

HELICOPTER CRASHES INTO BALTIC--Warsaw, 3 April--Four people were killed and three wounded out of 19 people on board a Polish helicopter which plunged to the Baltic Sea near GDR's shoreline. The survivors were lifted from the water by one of the tugboats servicing a drilling platform there. The "Sztorm - 2" rescue vessel left Swinoujscie for the site of the catastrophe. The helicopter, on lease from the aviation service enterprise in Gdnask, plunged to the sea for hitherto [passage indistinct] [Text] [Warsaw PAP in English 1830 GMT 3 Apr 86 LD]

JUSTICE MINISTER IN AUSTRIA--Vienna, 16 April--A delegation of the Polish Justice Ministry, headed by Minister Lech Domeracki, has paid an official visit to Austria at the invitation from Austrian Justice Minister Harald Ofner. Today, the Polish minister was received by the President of Austria Rudolf Kirchschlaeger and met with Austrian Chancellor Fred Sinowatz. He held talks with the president of the Austrian Parliament's National Council and chairman of the Austrian Trade Union Federation Anton Benya. During working talks, Domeracki and Ofner evaluated cooperation between justice ministries of both countries and discussed the assumptions for the planned agreement on cooperation between both ministries. [Text] [Warsaw PAP in English 2220 GMT 18 Apr 86 LD]

JOURNALIST ASSOCIATION APPOINTMENTS--The main board of the PPR Association of Journalists [SDPRL -- FBIS] held a plenary meeting in Olsztyn. The plenum evaluated the 33-year activity of the association. Marian Kruczkowski has been elected deputy chairman of the SDPRL main board. Andrzej Ziemski has been elected secretary general of the main board. [Text] [Warsaw Television Service in Polish 1730 GMT 15 Apr 86 LD]

ORZECZOWSKI SPEAKS TO CONFERENCE--An ideological conference on the subject, The PZPR Toward the Basic Issues of the Contemporary World, began in Warsaw today. Scientists, members of the congress commission, representatives of party publishing houses, party actives from the Warsaw city and Warsaw [word indistinct] work enterprises, and youth representatives are taking part in it. The conference was opened by Janusz Kubasiewicz, first secretary of the Warsaw Party Committee. Next, Marian Orzechowski, member of the PZPR CC Politburo and minister of foreign affairs, delivered a speech opening the discussion. Today's conference is one of the ideological and theoretical conferences on the draft PZPR program. [Text] [Warsaw Domestic Service in Polish 1005 GMT 11 Apr 86 LD]

CZYREK DELEGATION VISITS FRANKFURT--Berlin, 20 April--A delegation of the Polish United Workers' Party to the 11th Congress of the Socialist Unity Party of Germany, with Political Bureau Member, PUWP CC Secretary Jozef Czyrek visited the Frankfurt on Oder district today. The delegation laid a wreath at the Glory Monument located at the Remembrance site on Seelow Hills, paying homage to the fallen, and afterwards toured a museum commemorating the battle fought here 41 years ago. The main accent of the PUWP delegation's visit to Frankfurt on Oder was a friendship rally held under the motto of further consolidation of friendship and cooperation between the two parties, states and nations. Touching upon this subject in his address, member of the PUWP delegation, PUWP CC Alternate Member, First Secretary of the Katowice PUWP Voivodship Committee Bogumil Ferensztajn stressed that both the numerous agreements on economic, scientific and technological cooperation signed recently by Poland and the GDR, and their implementation created a new quality in mutual relations. The speaker also pointed attention to the great significance attached by Poland to direct contacts between the citizens of both states. Afterwards, the delegation toured a scientific and research department of a semiconductor factory in Frankfurt. The delegation also attended a concert performed by a combined orchestra from music schools from the policy city of Zielona Gora and Frankfurt on Oder. [Text] [Warsaw PAP in English 1800 GMT 20 Apr 86 LD]

MOKRZYSZCZAK GROUP ENDS VISIT--Copenhagen, 18 April--A delegation of the PUWP with Political Bureau Alternate Member, CC Secretary Wlodzimierz Mokrzyaszczak ended today its 4-day visit to Denmark at the invitation from the Danish Communist Party (DKP) CC. The delegation held talks with leadership of the DKP CC and met with party leading activists in Copenhagen. Polish guests briefed their hosts about the present problems of development of socialism building in Poland, and mainly about preparations for the 10th PUWP Congress. The meeting focused on issues of further tightening of contacts with the DKP, broadening of inter-party cooperation and relations for the better mutual knowledge and understanding of the situation in Poland. The sides expressed concern at and condemned tendencies of confrontation in the U.S. politics evidenced by the U.S. recent aggression against Libya. Mokrzyaszczak also met with member of the leadership of the Social-Democratic Party of Denmark Lasse Budtz who is the foreign policy and defence spokesman for this party. [Text] [Warsaw PAP in English 1752 GMT 18 Apr 86 LD]

POLITICS

ROMANIA

NEED FOR INCREASED PARTY ACTIVITY IN AGRICULTURE SEEN

Bucharest SCINTEIA in Romanian 13 Mar 86, pp 1, 4

[Article by Constantin Varvara and Lucian Ciubotaru: "Increasing the Quality of Activities for Guidance and Review - A Constant Concern, One of Great Responsibility"]

[Text] The development of intensive agriculture, one of high productivity and efficiency based on modern, industrial bases constitutes a vital requirement for the general progress of our society. At the Enlarged Plenary Session of the National Council of Agriculture, the Food Industry, Sylviculture and the Management of Water Resources, comrade Nicolae Ceausescu pointed out in this regard: "Within the framework of general development in our country, agriculture occupies an important place as one of the fundamental, decisive branches of socialist and communist construction. Beginning with the intensive development of agriculture in the eighth five year plan, we will have to work with all firmness for the purpose of achieving a new agrarian revolution, one which will require a transformation of agricultural organization and production and the powerful increase of production and the transformation of the manner of thinking itself, of life and of work for all the workers in agriculture and for all the peasantry."

There are sufficient grounds to express the conviction that the objectives of the new agrarian revolution and the intensive development of agriculture in the new five year plan are completely achievable. Our socialist agriculture has a solid technical-material base and significant resources of manpower as represented by a peasantry rich in tradition in agricultural production and by a strong group of specialists who have experience, as well as by an adequate organizational framework. For the purpose of fully putting to use this powerful technical-material and human potential and the great resources which our agriculture has, the speech of the secretary general of the party-- through the wealth of ideas, guidelines and directives contained in it-- represents a clear and specific program of action for the organs and organizations of the party involved in attaining agricultural production. In this context, the party organization in the Ministry of Agriculture has special responsibilities in mobilizing all the workers in the ministry for the fulfillment of the complex tasks facing this branch: the powerful growth of grain production by way of applying the most modern technologies and introducing high yield variety crops; the expansion of the use of inserted crops and the increase in the production of technical crops; the carrying out of special programs; the increase in the numbers of animals in zootechny and the improvement of animal breeds parallel with the development of the fodder base; the improvement of the production

potential of the land by way of extending projects for irrigation, draining, and combatting soil erosion; the radical reduction of production costs; the much more firm application of the principles of material incentives and overall work agreements; and the good use and coordination of personnel and specialists.

Naturally, the exemplary achievement of these tasks is also influenced by the manner in which the specialists from the Ministry of Agriculture work for the implementation of the party decisions and the laws of the country, as well as special programs; guide and assist the activities in the counties and the production units; effectively intervene to resolve certain problems which appear; express themselves as promoters of advanced experiences; and militate for their spread. In essence, we are talking about moving the center of gravity of the specialists' activities from the ministry to the field, about carrying out an activity filled with high revolutionary spirit and about responsibility corresponding to the requirements and tasks formulated by the secretary general of the party for this stage of development for agriculture.

Can these requirements be found in the political-organizational work carried out by the party committee and by the base organizations in the ministry and in the activities of the communists there?

Let us examine things in turn. It is, certainly, worth noting that in this ministry special attention is given to understanding, mastering and applying -- and this goes for all communists and all the personnel -- the tasks that have been established by the party leadership and the laws which regulate the activities of each sector. In this regard, the party committee frequently organizes training sessions for the bureaus of the base organizations and has personnel from the ministry leadership present reports to the party aktiv. In these sessions, tasks are presented that have been newly formulated by the secretary general of the party at the plenary sessions of the RCP Central Committee and the working conferences held at the central level, as well as on the occasion of working visits to agricultural units.

At the same time, it should be pointed out that in bureau sessions, party plenary sessions and in party general assemblies that took place year important problems were discussed linked to preparations for the agricultural campaigns, the provision of repairs to equipment and the organization of irrigation, discussions which concluded with the adoption of political-organizational measures designed to lead to increasing participation of communists and other workers in the ministry in the achievement of the plan in agriculture and to improving the efficiency of trips into the field in pursuit of the manner in which production tasks were fulfilled. Through a better integration in the major problems of the counties and through a more profound knowledge of the realities and specific nature of the regions in which they worked, it can be said that the communists and workers of the ministry succeeded to a good degree in acquitting the attributes with which they were entrusted.

Nonetheless, in agriculture there was a series of shortcomings which last year resulted in a number of counties and units obtaining a level of production below

the possibilities available. As comrade Nicolae Ceausescu pointed out at the Enlarged Plenary Session of the National Council of Agriculture, the Food Industry, Sylviculture and the Management of Water Resources, even under the less favorable climatic conditions of last year if work had been done with full responsibility in all the sectors of agriculture, in all the units and in all the counties, larger harvests would have been obtained.

As a result of the discussions that took place within the above-mentioned plenary session, the shortcomings that were criticized are due to the Ministry of Agriculture, the party organizations, and the communists in the ministry who did not work with the necessary persistence and responsibility to follow up and resolve the problems in this sector, to strengthen order and discipline, to precisely adhere to the established technologies and to carry out projects on time and of good quality, and to deliver those products that had been contracted to the state fund.

With complete clarity, at the recent Enlarged Plenary Session of the National Council of Agriculture, Sylviculture and the Management of Water Resources comrade Nicolae Ceausescu stressed that the principal duty of personnel and specialists in agriculture is to do everything to demonstrate their abilities and knowledge by way of the production and results that they obtain. Activities in agriculture are carried out directly in the units, on the farms and in the fields, where the fate of production is decided. "The agronomic engineer," pointed out comrade Nicolae Ceausescu, "must be a person from morning to dark-- and when it is necessary even at night-- out in the fields. He must understand and know the land, understand and know the crops, understand and know the animals! This is a good agricultural specialist, a good agronomist, zootechnician, veterinarian and so forth! From the office you cannot understand the needs of the crops or the animals! Only if you know, if you see what the situation is can you determine what must be done from one moment to the next. This is valid for those in the Ministry of Agriculture and for those in research."

It is as clear as it possibly can be that the presence of specialists from the ministry in the field, the efficiency of their interventions, the effectiveness and responsibility with which they resolve the problems on the spot, and the insistence with which the leadership of the department and the ministry subjects them and pursues their resolution represent essential facets of the work of the specialists and basic attributes of the ministry. But, this express approach to these activities rarely appears in the concerns of the party committee in the ministry and hardly at all in some of the base organizations. Similarly, the manner of fulfilling the special programs is not seen in the subject of the communists' discussions except in general formulations in different materials. As such, there is no organic blending between the two components of the specialists' activities in the ministry --current activity and future activity-- involving in most cases the pursuit of the evolution of projects during the campaign itself without giving the appropriate attention to achieving the provisions in future programs. Clearly, during the peak periods of one campaign or another the center of gravity must fall on these activities, but not a single moment must be lost regarding the permanent issues: land improvement projects, seed production, organizing the land, setting crop regions and promoting modern technologies.

It is good that in all base organizations they have established the procedure where by the specialists present reports regarding their activities. Unfortunately, however, this practice has stopped at a certain level. If last year those personnel with responsible positions -- deputy ministers, state secretaries, directors general -- did make their presence felt more in the general meetings of the communists, as well as at the discussions in these meetings, they were still sufficiently sporadic in presenting reports in their positions as party members regarding the manner in which they fulfilled their attributes and responsibilities. And, according to the statutory provisions each party member, regardless of the position that they occupy, must periodically report before the party organization regarding the activities they carry out, an express requirement frequently stressed by the secretary general of the party.

From the points of view expressed by the members of the party organizations and by specialists, we see that there still is not a clear picture regarding the area of problems which the representative of the ministry must resolve in the field. Thus, some expressed their opinion that a specialist in the field of horticulture must be concerned only with horticulture since he, for example, would not have the necessary knowledge in order to understand and intervene in the case of a violation of the law on land development. Others, on the contrary, state that the workers in the ministry should not go out from the ministry into the field with a narrow, departmental view, but should work so as to resolve other problems besides pursuing their specialty. You do not have to be a mechanical engineer to understand when the plow is incorrectly used during plowing. Anybody who works in agriculture knows -- or should know -- how this basic work is done and upon which the level of production depends to a great degree. As was also pointed out in the annual report of the party committee, we think it is good to establish a better cooperation between the responsible persons in the general directorates in the ministry and even between the specialists towards having a unified view on one problem or another.

Without a doubt, there is merit in the fact that the vast majority of the specialists in the ministry are located for most of the year in the field, being convinced that only a permanent link with reality gives them the opportunity to work in full knowledge of the case. With regards to the length of the field visits, if the visits of these specialists do not constitute a subject for discussion, the efficiency of their presence -- which sometimes exceeds 200 days -- calls for a more profound analysis. It raises the question: Is it or is it not necessary for a representative of the ministry to stay for 2-3 months in a row or even more in the same county? Some specialists are of the opinion that long presence in the same county leads, on one hand, to an overlapping of his work with that of the local agricultural organs and to the tendency of "getting used to" certain states of affairs that are negative and, as a result, to not correctly reporting to the leadership of the ministry the real state of affairs. On the other hand, however, some regions are lacking the absolutely necessary assistance of a specialist from the ministry. For example, one of the two specialists who are responsible for chemical fertilizing was assigned last year for 200 days to Constanta County. Was there no other need for him in other counties? Clearly, yes.

Certainly, the activities for guidance and review that were carried out by the specialists in the field involve great responsibilities in the timely understanding of shortcomings and their prompt and complete resolution. Last year, there were situations -- as was also pointed out in the discussions of the plenary session of the party committee with the aktiv -- when in some units there were serious violations of technological discipline or of the plan, stealing, waste and issuing of erroneous reports. Not in a few cases these inadmissible states of affairs were discovered by other party and state organs although workers from the ministry were in the same units. They did not, however, analyze all the shortcomings in the activities of these units with a sense of responsibility and they did not notify the leadership of the departments or the general directorates or the leadership of the ministry. Or, if they did they felt that their job had been done once they had learned of these negative aspects. It is necessary for the future for the party organizations and the leadership of the ministry both in instructional sessions and in establishing the subjects for review to keep in mind the requirement of noting negative aspects in units and of increasing the insistence of the specialists in order to take decisive measures to eliminate the shortcomings that are found.

The discovery and spread of positive experiences constitutes one of the main duties of the specialists. There are numerous examples of units and counties where because particularly of the use of certain advanced methods and technologies large production levels have been obtained, but known to others only as results. We can show in this regard the experience gained by numerous units, such as the Balaciu State Agricultural Enterprise [SAE], the Smirna Agricultural Production Cooperative [APC] (in Ialomita County) and the Cenei SAE (in Timis County) which produced between 2,753 and 4,580 kg more per hectare than their neighboring units at Andrasesti SAE and Grivita APC (Ialomita) and the Bogda APC (Timis). Or another example: the Gropeni APC in Braila County produced 1,000 kg more wheat per hectare than the neighboring unit -- the Tichilesti APC; the Ulmeni APC in Calarasi County an additional 1,400 kg of wheat per hectare compared to the neighboring cooperative in the town of Curcani. Although having similar or even identical climate and soil conditions, these gaps can have no other explanation than the fact that in those units having lower production they did not give the appropriate attention to the crops, to seeding during optimum periods, to plant densities and to providing quality seeds, as well as to thoroughly organizing the harvest to avoid any waste. Despite the fact that the experiences of the top units are known, they were not presented in detail through the various forms of propaganda nor directly at the scene by the ministry's specialists. We have the question: Which good experiences that you have found did you promote? The answers from many specialists were inconclusive.

In differing from the other fields in the sphere of material production, activities in agriculture have a separate nature: the production cycle is carried out throughout an entire year. The projects differ from one season to another and the demands on material and human resources call for rapid changes in rates, while the climatic conditions -- difficult to forecast -- bring about situations for which we must have in mind thoroughly prepared, possible solutions on a timely basis regardless of whether or not they will be used later. According to this specific nature it is necessary for the improvement of work in guidance

and review carried out by the specialists to occupy a basic place within the framework of concerns of the party organization in the Ministry of Agriculture. As such, the party committee and the base organizations in the ministry must systematically deal with different aspects concerning the improvement of the work style and methods of the specialists in close connection with the activities they carry out in the production units, giving this activity dynamism, flexibility, initiative and, above all else, a high revolutionary spirit.

Naturally, the guidance and review activities of the specialists in the Ministry of Agriculture include -- by virtue of their complexity -- other qualitative facets. It is important for them to become essential components in the practical work of the party organization, the communists and all the workers in the ministry in order to make -- in the spirit of the requirements formulated by comrade Nicolae Ceausescu -- a substantial contribution to carrying out the new agrarian revolution and to more powerfully increasing crop and animal production for the purpose of increasing the contribution of this basic branch of the national economy to the multilateral progress of the country.

8724

CSO: 2700/131

YUGOSLAVIA

OPINION SURVEY RATES FEDERAL EXECUTIVE COUNCIL

[Editorial Report] Belgrade NEDELJNE INFORMATIVNE NOVINE in Serbo-Croatian on 20 April 1986, pages 12-16, offers the results of an opinion survey concerning the effectiveness of the outgoing Federal Executive Council. The survey, like similar surveys in 1983 and 1984, consisted of telephone inquiries to 100 random telephone numbers scattered among the various republics and Serbia's two autonomous provinces in proportion to the number of households in each. The results are as follows:

	<u>1983</u>	<u>1984</u>	<u>1986</u>
1. To what extent has the Federal Executive Council justified your expectations?			
a. Completely	36	30	19
b. Partially	49	68	54
c. Not at all	10	11	23
2. Why would you reproach the Federal Executive Council?			
a. For not having halted inflation	25	25	52
b. For not having normalized supplies	40	13	0
c. For giving in to pressures from republics and provinces	29	26	13
d. For ineffectiveness in implementing decrees and laws	0	0	29
e. For not having reduced unemployment	0	0	5
3. What most prevented the Federal Executive Council from working better?			
a. Lack of genuine ideas	21	10	0
b. Insufficient authority	15	11	0
c. Slowness in consensus-seeking among republics and provinces	54	50	52
d. Indecisiveness and ineffectiveness	8	27	27
e. Economic crisis	0	0	14

1983 1984 1986

4. To what extent has Milka Planinc fulfilled your expectations chairing the Federal Executive Council?

a. Completely	50	41	47
b. Partially	29	54	35
c. Nohow	2	4	11
d. Don't know	19	1	7

5. Who is responsible for failure to implement the economic stabilization program?

a. Assembly of Yugoslavia	--	42	13
b. LCY Central Committee	--	36	14
c. Federal Executive Council	--	37	20
d. Republics, provinces	--	39	16
e. All the above combined	--	0	55
f. The economy	--	40	7
g. All Yugoslav citizens	--	0	12
h. Don't know	--	2	4

6. When will we resolve basic economic differences?

a. By the end of 1986	7	2	0
b. In a few years	46	46	26
c. Uncertain when	40	50	72
d. Don't know	7	1	42

/6662

CSO: 2800/245

YUGOSLAVIA

BRIEFS

SCHOOL REFORM EFFORT--The result of the 10-year efforts toward reforming education has evoked more criticism than thanks. And that which has been achieved after many discussions is now shown to be a problematic value. Such is the case with the unified educational "core" instruction in the mother tongue and literature with which almost everyone is dissatisfied after many years of haggling. The recent meeting at the beginning of this month in Belgrade on unifying the educational systems showed that there is very little unity indeed. In a study prepared for this occasion, Stevan Bezdanov, professor at the Belgrade Faculty of Political Sciences, presents a long list of differences--in the number and kinds of subjects, length of study and requirements for achieving certain levels of specialized education, the content of subject matter, and much more. For instance, in teacher training schools the number of subjects vary from 14 to Skopje, to 25 in Novi Sad; physics students in Pristina have 21 subjects, those in Sarajevo 40, and those in Zagreb 50 in their field. Also, the share of current expenditures for education in total national income, according to the Federal Institute for Statistics, declined from 5 percent in 1970 to 3.5 percent in 1984. [Excerpt] [Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 14 Apr 86 pp 22-23] /9274

UNEDUCATED WORKERS--Nearly 10 percent of the adult population is illiterate in our country, almost one-third have not completed eight grades of school, over 6.5 million employed persons have not completed elementary school, and over 220,000 employed persons even today are illiterate. Seven times fewer workers are educated today than in 1965, and four times fewer than in 1975...; this, at a time...of need...for new technology, the need to change the organization of work and to improve the unfavorable qualification structure of employees. In all documents beginning with those issued by the LC and youth organization, it is said that illiteracy will be uprooted by the 1970's, then the 1980's, and finally by 1985. But the situation is not changing. [Excerpt] [Belgrade KOMUNIST in Serbo-Croatian 25 Apr 86 p 6] /9274

CSO: 2800/243

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